

Affordable Housing Advisory Board Housing Advisory Plan 2005 – 2010



November 15, 2004

Affordable Housing Advisory Board

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Message from the Chair Affordable Housing Advisory Board

I am pleased to present to the Governor, the Washington State Legislature, and Juli Wilkerson, Director of the Washington State Department of Community, Trade and Economic Development, a new five-year housing policy advisory plan from the Affordable Housing Advisory Board (AHAB). As required by state law, this plan documents the need for affordable housing in the state; assesses Washington's housing market trends; reviews the supply and distribution of affordable housing units; identifies regulatory barriers to affordable housing; and makes specific recommendations for meeting the affordable housing needs of our citizens.

Affordable housing is important to the quality of life for individuals, families and communities. It is also vitally important for a healthy economy. Businesses will not attract and retain employees if those employees can't find homes at reasonable cost within a reasonable distance from the workplace. In addition, the housing industry is tremendously important to Washington's economy, representing 5.9 percent of the gross state product of \$214.5 billion, or \$12.71 billion of activity in 2000¹.

A recent National Association of Home Builders study estimated that the one-year impacts of building 100 single-family homes in King and Snohomish Counties yielded \$18.1 million in local income, \$2.8 million in taxes and other local government revenue, and 311 local jobs. Similarly, construction of 100 multifamily units creates \$11.3 million in local income, \$1.4 million in local government revenue and 188 local jobs.

AHAB has always aimed to draft housing plans that propose concrete, achievable goals and projects for increasing the supply of affordable housing in Washington State.

As this advisory plan demonstrates, our state has had some success at increasing the ability of its residents to find reasonable housing at reasonable costs. But we have a long way to go and many hurdles to overcome.

On the positive side, the Legislature has continued to increase contributions to the Housing Trust Fund despite the severe fiscal pressures on state government. The Washington State Housing Finance Commission's resources and tools have increased. The state has focused significant funds and energy on improving temporary housing for farm workers. Moreover, the Legislature has acted both to increase local financial resources for low-income housing and to encourage local governments to accept their fair share of affordable housing.

At the same time, we are faced with an increasingly serious problem caused by continued growth in the state's population and rising costs of housing construction and maintenance. Through the Growth Management Act, the Legislature—and our statewide community as a whole—has made a strong commitment to controlling urban sprawl through compact urban development and incremental growth in urbanized areas. Yet, if we continue to avoid the “easy way out” of

¹ Washington Center for Real Estate Research at Washington State University.

rapidly consuming forests and farmlands, we must redouble our commitment to ensuring a supply of affordable housing alternatives within urban areas for the 6.8 million people projected to live in Washington by 2010.

This advisory plan includes a number of specific recommendations. Some focus on the production of affordable housing stock for working Washingtonians. Others are directed toward housing assistance for the most vulnerable groups in our statewide community.

AHAB's specific recommendations include the following:

- We conclude that our state allows too much of the cost of infrastructure to be imposed on new housing and businesses. This is mainly because local governments have lost the financial resources needed to pay for the roads, utilities, schools and public safety infrastructure necessary to support new homes and enterprises. In addition, the philosophy of "growth-pays-for-growth" has taken hold among some groups because it is seen as a way to slow down sprawl. However, one result of allocating a large portion of the cost of these facilities to new developments is that it can add to the cost of housing construction beyond what lower and middle income people can afford. The fact is, much of the cost of expanding our road network in the 1950's and 1960's, and our wastewater infrastructure in the 1970's, was paid for by taxpayers generally. While some assert that this was an inappropriate "subsidy" of housing, we believe that *the pendulum needs to swing back from "growth-pays-for-growth"* to the more balanced approach that was prevalent in the decades following World War II. Having said that, however, it must be emphasized that there is only one way to achieve that: *provide state and local government with adequate general tax revenues to provide for these infrastructure costs.*
- Zoning and building codes continue to be overly complicated, and in many instances they discourage the density necessary to accomplish growth management goals. Local government should continue to *simplify zoning and building standards* to reduce the cost of housing and to make it easier to achieve increased densities while preserving the quality and aesthetic character of communities.
- State government needs to make a *substantial commitment to permanently funding supportive housing for people with mental, developmental and physical disabilities*. The number of these persons in need of adequate housing with appropriate services vastly outstrips the supply. These are the people who are most vulnerable in our society, and we need a comprehensive and effective system of funding permanent housing for these people in the community outside of institutional settings.
- The Housing Trust Fund has been a very effective program. State investment in the *Housing Trust Fund should be increased to \$100 million in the 2005-07 biennium and \$120 million in the 2007-09 biennium.*

- High insurance premiums have had a remarkably adverse affect on housing costs in recent years. The Legislature and the Insurance Commissioner should continue to take ***positive actions to reduce insurance costs to builders and operators of affordable housing.***
- ***Farm worker housing should continue to be a high priority***, with a special focus on on-farm temporary housing for agricultural laborers and their families.
- In 2004, the Legislature acted affirmatively to put manufactured housing on an equal footing with traditional “stick-built” construction. Nevertheless, some communities are still resistant to factory-built housing, in part because of aesthetic concerns. However, this type of housing has improved significantly in the design and quality, and ***the state should continue to encourage local governments to affirmatively support the installation of manufactured homes.***
- We should continue to ***encourage construction of energy-efficient and sustainably built housing*** and to improve the affordability of housing stock for low-income households through energy efficiency programs.

We also need to highlight the fact that the Federal cutbacks in the Section 8 Housing Choice Voucher program that provides rental assistance for low-income people could by itself wipe out almost all of the gains represented by state and local funding for low-income housing programs during the past decade. We strongly urge our elected officials to actively lobby Congress and the President in support of preserving and increasing the Section 8 Housing Choice Voucher Program.

We hope that you will find this housing advisory plan to be useful in the development and preservation of affordable housing in the coming years. We would be pleased to answer any questions you might have concerning this report and to provide supplementary materials as necessary.

Sincerely,



Hugh D. Spitzer
Chair

The Affordable Housing Advisory Board and the State's Role in Housing

It is the goal of the state of Washington to coordinate, encourage, and direct, when necessary, the efforts of the public and private sectors of the state and to cooperate and participate, when necessary, in the attainment of a decent home in a healthy, safe environment for every resident of the state. The legislature declares that attainment of that goal is a state priority.²

The state has a significant role in housing because housing is vitally important to the health, safety, and welfare of Washington residents. Safe, affordable housing provides the foundation for stable communities. All residents should have access to healthy, safe and affordable housing, wherever they choose to live, work and play.

“Affordable housing” is defined by statute as “residential housing that is rented or owned by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household's monthly income.”³ However, those in need of affordable housing range in income from zero to 120 percent of median income for the state. They include a significant component of the state's workforce, the elderly and low-income persons⁴.

By statute, the Affordable Housing Advisory Board (AHAB) advises the Department of Community, Trade and Economic Development on housing and housing-related issues. AHAB has 22 members representing a variety of interests related to the provision of affordable housing. Nineteen are appointed by the Governor for four-year terms.⁵ AHAB meets quarterly⁶.

The two agencies that have primary responsibility for affordable housing and housing services at the state government level are the Department of Community, Trade and Economic Development (CTED) and the Washington State Housing Finance Commission (HFC). CTED's Housing Services Division manages the Housing Trust Fund, a state capital fund dedicated to the provision of low-income and special needs housing. The Housing Services Division administers emergency, transitional, and permanent housing for homeless persons; housing improvement and preservation, including weatherization, and training on lead paint remediation; manufactured home installation education and relocation assistance; and farm worker housing.

In CTED's Local Government Division, the Growth Management Program provides technical assistance and grant funding for local governments to implement the state Growth Management Act's goals and requirements to plan for affordable housing for the existing and projected needs of all economic segments of the community.

² Washington Housing Policy Act, RCW 43.185B.007.

³ RCW 43.185B.010(1).

⁴ “Low income” is a term used by the Federal Department of Housing and Urban Development, as defined in Section 3(b)(2) of the U.S. Housing Act of 1937.

⁵ See Attachment A for a statutory list of representatives.

⁶ More information about AHAB is available by contacting the CTED Housing Services Division at (360) 725-2908.

The Housing Finance Commission was created as a financial conduit that, without lending the credit of the state, issues non-recourse revenue bonds to finance affordable housing. It participates in federal, state or local housing programs and makes additional funds available at affordable rates to help provide housing throughout the state. The HFC is responsible for allocating private activity bond cap among multi-family developers, for allocating low-income housing tax credits, and for promoting homeownership opportunities for first-time homebuyers.

CTED's Housing Services programs tend to focus on the needs of very low-income people, and HFC programs are mainly oriented toward bringing private financial resources to bear on increasing affordable housing for low- and moderate-income people.

In addition to the direct benefits of housing services to individuals and families provided by CTED and the HFC, it must be understood that there is also a general benefit that is critical to the health and well being of the state as a whole. The state's role in the provision of affordable housing is broader than the specific programs operated by state agencies. Safe, affordable housing is critical to the social and economic well being of Washington's communities. Appropriate, available housing is a crucial ingredient in virtually every major aspect of well being for our society and economy. Specifically:

- **Education** – Adequate housing is a necessary condition for children to arrive at school ready to learn.
- **Economic vitality** – Available and suitably located housing enhances workforce recruitment and performance, and the housing industry itself is a major generator of economic activity and state revenues.
- **Environment** – Housing that is properly planned and designed makes for safe and healthy communities. Housing that is poorly located relative to jobs worsens traffic congestion and air pollution.
- **Growth management** – Planning that provides for a variety of housing choices with adequate infrastructure and access to services and amenities is essential to the provision of affordable housing for all economic segments of the community.
- **Public safety and quality of life** – A well-maintained housing stock is strong evidence of a healthy community that enjoys a high quality of life. Inadequate housing conditions are the emblem of and encourage unfriendly, crime-prone neighborhoods.

The Housing Advisory Plan

CTED and AHAB are required by RCW 43.185B.040 to prepare and update a five-year housing advisory plan. The purpose of the plan is to document the need for affordable housing in the state and the extent to which that need is being met through public and private sector programs, to facilitate planning to meet the affordable housing needs of the state, and to enable the development of sound strategies and programs for affordable housing. The five-year housing advisory plan must be submitted to the Legislature by February 1, 2005. The information in the five-year housing advisory plan must include:

- a) An assessment of the state's housing market trends;
- b) An assessment of the housing needs for all economic segments of the state and special needs populations;
- c) An inventory of the supply and geographic distribution of affordable housing units made available through public and private sector programs;
- d) A status report on the degree of progress made by the public and private sector toward meeting the housing needs of the state;
- e) An identification of state and local regulatory barriers to affordable housing and proposed regulatory and administrative techniques designed to remove barriers to the development and placement of affordable housing; and
- f) Specific recommendations, policies, or proposals for meeting the affordable housing needs of the state.

This housing advisory plan addresses the statutory requirements in subsections (a), (b), (c), and (e) by presenting the *12 Facts about State Housing Market Trends, Assessment of Needs, and Inventory of Supply*. The plan goes on to discuss those facts and the issues and problems around them in the section on the *Ongoing Issues and Challenges*. Subsection (d) is addressed by the *Housing Progress Report: 1999 – 2004* and the matrix of accomplishments in Attachment B. Finally, the plan includes AHAB's *Strategies for Meeting Washington's Affordable Housing Needs* for the next five years that address the requirements in subsections (e) and (f).

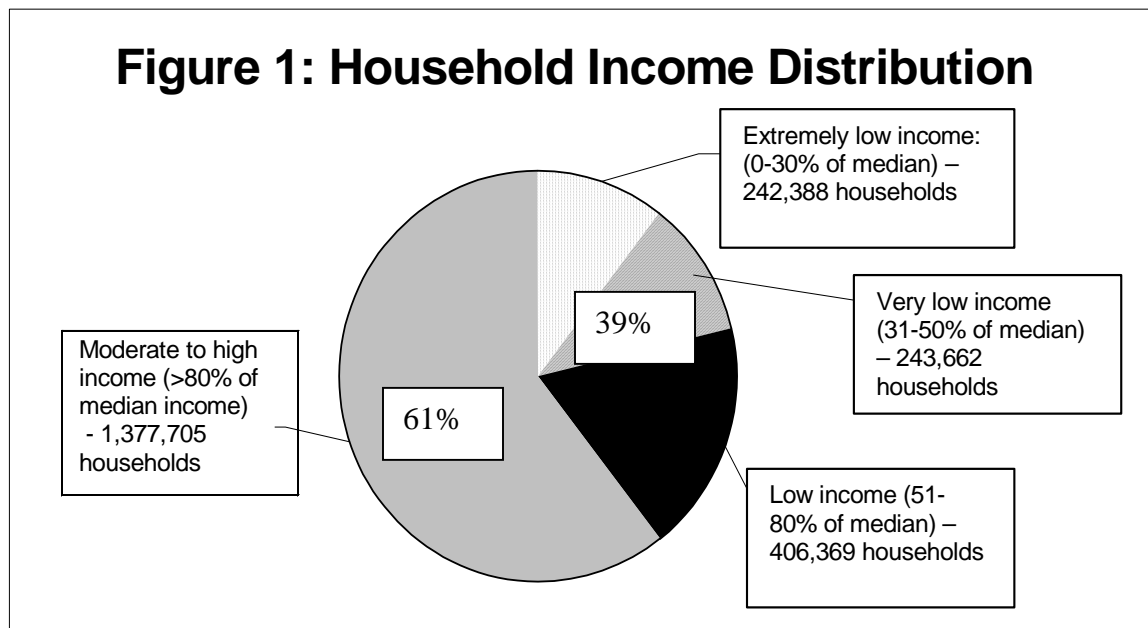
12 Facts about State Housing Market Trends, Needs, and Supply

- Fact 1:** Thirty-nine percent of Washington households are “low income”
- Fact 2:** Home ownership in Washington trails the national average
- Fact 3:** Rental housing has become less affordable for households with the lowest incomes
- Fact 4:** Public resources are key to housing affordability
- Fact 5:** The Federal Housing Choice Voucher Program (Section 8) is a critical component of affordable housing in Washington
- Fact 6:** Insufficient public infrastructure funding and regulatory barriers disproportionately burden affordable housing development
- Fact 7:** Insurance costs for housing continue to increase
- Fact 8:** Homelessness remains a pervasive and persistent issue
- Fact 9:** Low-income people with the greatest needs require affordable housing and services to remain in housing
- Fact 10:** Manufactured housing is an important source of affordable housing
- Fact 11:** Rising energy costs continue to impact the affordability of housing
- Fact 12:** Adequate farm worker housing is key to the state’s agricultural economy

Ongoing Issues and Challenges

AHAB has noted a variety of ongoing issues and challenges to the provision of affordable housing in updating this plan. AHAB chose to devote additional attention and focus to four of those issues, bringing in experts to provide information and to discuss solutions or strategies – the need for supportive housing, rising insurance costs, regulatory barriers and growth management, and rising energy costs. Discussion of these four issues, as well as the other issues of importance to AHAB highlighted in the *12 Facts* section, are presented here.

Fact 1: Thirty-nine percent of Washington households are “low income”



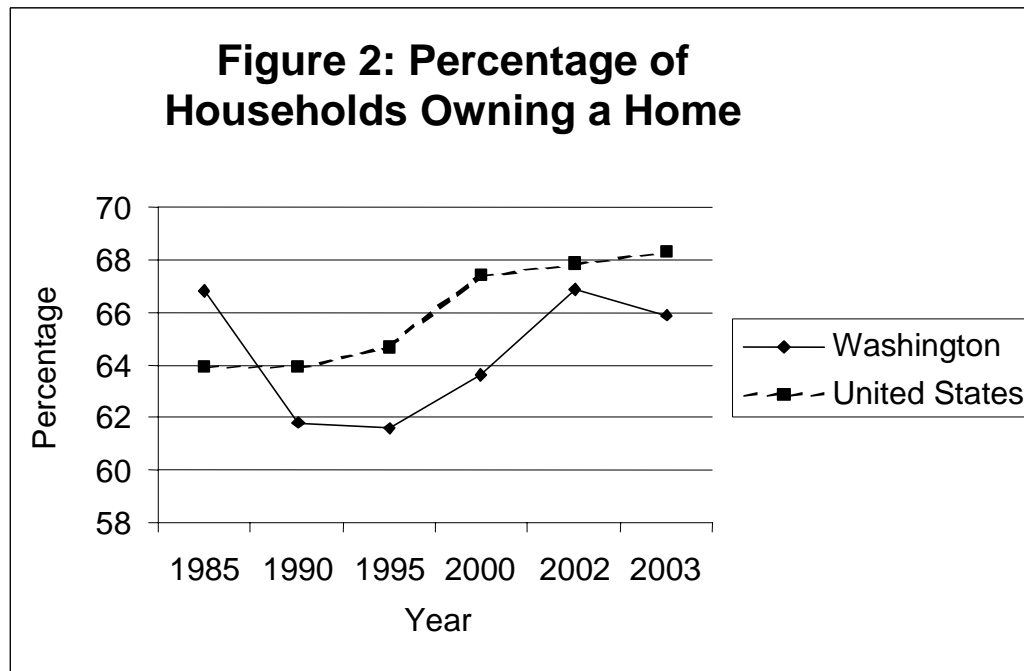
In Washington, a worker earning the minimum wage (\$7.01 per hour) must work 86 hours per week in order to afford a two-bedroom unit at the state's median Fair Market Rent. The "Housing Wage" in Washington is \$15.15.

Thirty-nine percent of households in Washington State are "low income", meaning their incomes are below 80 percent of the median income of \$45,776 per year. Of the 892,419 households with less than 80 percent of median income, 242,388 households have "extremely low incomes," meaning their incomes are less than \$13,733 a year (less than 30 percent of median). People earning below 80 percent of median income and between 80 and 120 percent of median income usually cannot find decent, affordable market rate housing without the assistance of public subsidies.

In Washington, a worker earning the minimum wage (\$7.01 per hour) must work 86 hours per week in order to afford a two-bedroom unit at the state's median Fair Market Rent. The "Housing Wage" in Washington is \$15.15⁷. The "housing wage" is the amount a full time (40 hours a week) worker must earn per hour to afford a two-bedroom unit at the state's Fair Market Rent. This is 216 percent of the minimum wage (\$7.01 per hour). Between 2002 and 2003, the two-bedroom Housing Wage increased by 2.56 percent. This fact illustrates the need for low-income families to have two wage earners in order to make ends meet – often with one of those wage earners needing to hold down at least two jobs in order to meet the basic costs of raising a family.

⁷ See "Out of Reach", published annually by the National Low Income Housing Coalition.
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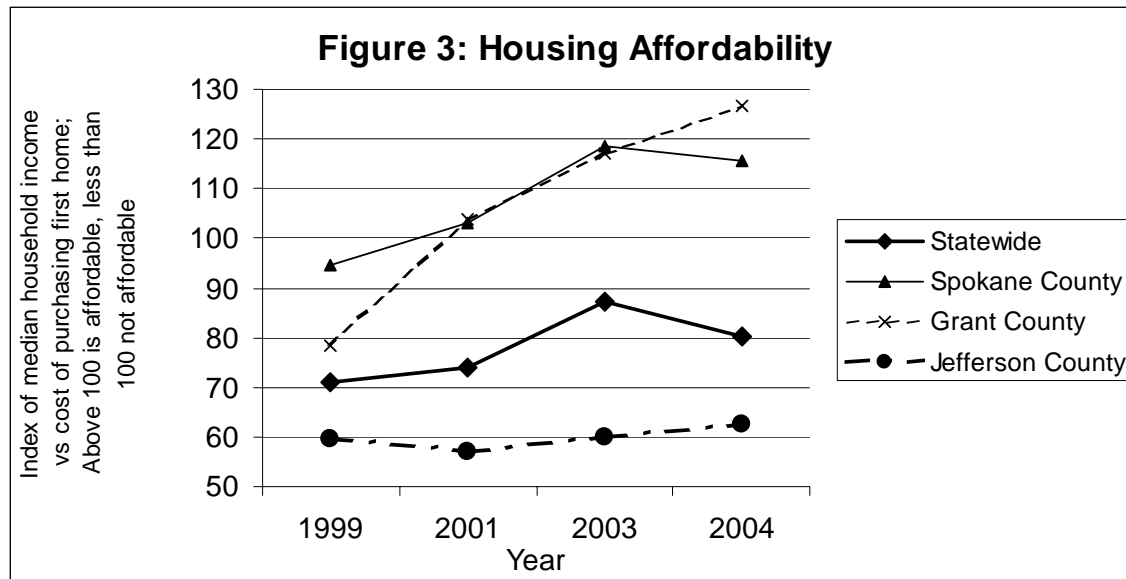
Fact 2: Home ownership in Washington trails the national average



Washington State's homeownership rate has fallen below the national average. The major cause is the high cost of housing. In some areas, this means homeownership is out of reach for many homebuyers, especially first-time buyers.

For example, families wishing to purchase a home in King and San Juan counties face a median house cost of over \$300,000. Mortgage payments on these homes are well in excess of the funds available to low- to moderate-income buyers.

In King County, a typical first time homebuyer had just 67 percent of the income required to purchase and meet payments on a median price home.



Source: Washington State University Center for Real Estate Research.

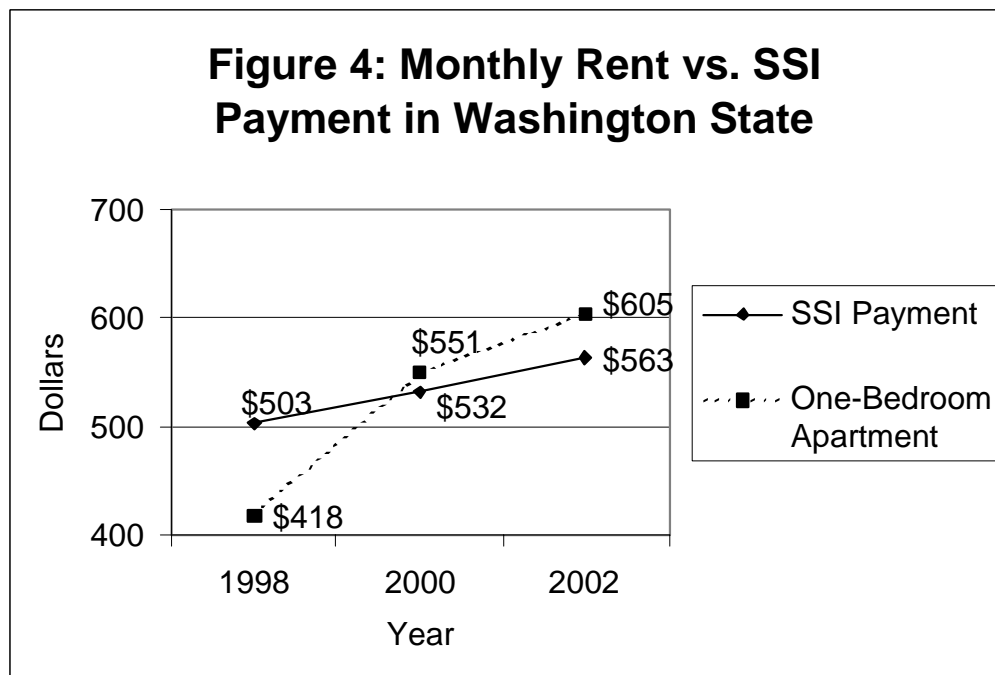
This chart portrays the ability of a middle income family to purchase and carry the payments for their first house. When the index is 100 there is a balance between ability to pay and the cost. Higher indexes indicate housing is more affordable. First-time buyer index assumes the purchaser's income is 70% of the median household. Home purchased by first-time buyers is 85% of area's median price. All loans are assumed to be 30-year loans. All buyer index assumes 20% down payment. First-time buyer index assumes 10% down. It is assumed 25% of income can be used for principal and interest payments. See Attachment C for the Housing Affordability Index for all Washington counties.

In lower-cost areas, primarily outside urban cores, the purchase of a home by a median- to moderate-income household is generally attainable. However, general affordability statewide is declining, as driven by the declining ability of first-time homebuyers to purchase median-priced housing in the state's western urban centers. These conclusions are based upon the Washington Center for Real Estate Research's housing affordability index, which measures a family's ability to purchase and carry the mortgage on a median priced home.

The upward rising trend line in Figure 3 for Spokane and Grant Counties indicates an increasing general affordability based upon the amount of income a first-time home buyer has available to purchase a median priced home in those counties. In King County, however, a typical first-time homebuyer had just 67 percent of the income required to purchase and meet payments on a median price home. In Jefferson County, the situation is even worse, possibly because of the local market pressure resulting from resort and retirement driven demand. In addition to the general loss of affordability of housing, it should be noted that in 2002, the homeownership rate for minorities was only 49.4 percent, well below the state average of 67 percent. This is largely because of issues associated with language, credit history and low-incomes.

Fact 3: Rental housing has become less affordable for households with the lowest incomes

For households with the lowest incomes, housing inflation has continued to outstrip income increases. At one extreme, disabled people relying on federal Supplemental Security Income (SSI) are unable to afford an apartment without additional public assistance, as illustrated in Figure 4.



As with home prices, rents differ dramatically between counties. A one bedroom apartment in King County averages \$750/month, while the same apartment in Spokane County would only cost \$426/month, and in Yakima County \$401/month. Two-bedroom apartments show similar differences between counties, with a rent of \$814 per month in King County, \$543 per month in Spokane County, and \$510 per month in Yakima County.

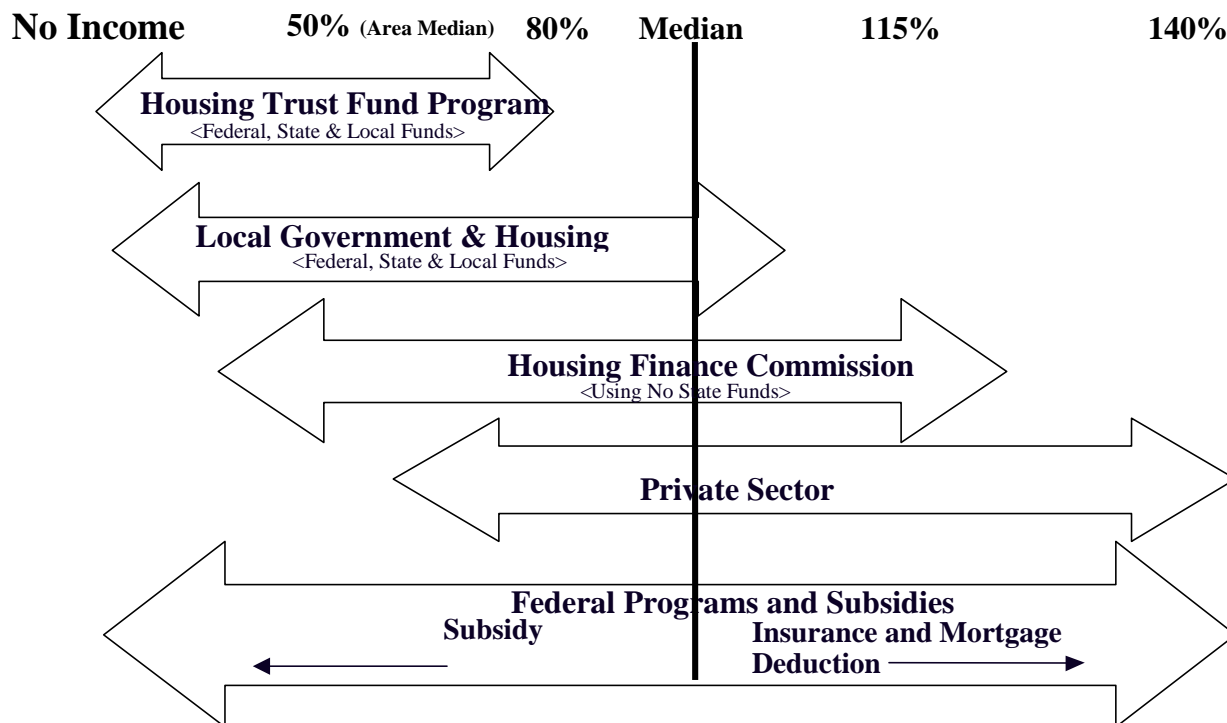
Fact 4: Public resources are key to housing affordability

Public resources subsidize housing for all income levels, from emergency shelters for homeless persons with no income, Section 8 vouchers for low-income households, to insurance and mortgage programs for homeowners at all income levels. Addressing affordability across the full continuum of income levels requires the participation of many different types of organizations.

Generally speaking, the public sector is much more directly active in subsidizing low-income housing needs, while tax incentives and other market devices are used to address affordability at the higher income levels.

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Figure 5: Public Resources by Income



How programs and incentives are arrayed across the income continuum is depicted in Figure 5 above. It should be understood that although many different organizations and sectors are positioned to address affordability in the same income areas, this is due to the complexity of the needs of the income category – not a redundancy of service. For example, a multi-family low-income housing project in downtown Seattle typically requires assistance from at least five sources: tax credits (requiring private sector participation), public funding from the city’s local housing program, public funding from the state’s Housing Trust Fund, federal capital assistance, and social service subsidies paid to occupants which generate the rent for operation and maintenance. Each project is heavily leveraged and requires expert engagement from non-profit housing developers and managers in order to succeed.

CTED's Housing Trust Fund (HTF) continues to be oversubscribed and causes a bottleneck in leveraging and financing low-income housing projects throughout the state. Demand exceeded available resources in 2005 by \$67 million.

CTED's Housing Trust Fund (HTF) continues to be oversubscribed and causes a bottleneck in leveraging and financing low-income housing projects throughout the state. Demand exceeded available resources in 2004 by \$67 million. For example, in the Spring 2004 funding round, one local public funding source was supporting nine ready-to-proceed projects. However, HTF resources were available for only three of those projects. The six remaining projects are now in a holding pattern until additional Housing Trust Fund resources become available (state budget biennium 2005-2007). These projects, as well as many other non-funded projects, roll into the next round and create a large pipeline of unfunded projects that keep applying to the state, sometimes three to four times before funding becomes available. This may result in increased construction costs and potential lost units.

A model created by the Washington Center for Real Estate Research at the Washington State University determined each \$1 million of HTF appropriation creates 207.54 jobs. An appropriation of \$100 million would create a total of 20,754 jobs, mostly in the construction industry job market. An additional study, recently completed for the Seattle/King County Housing Development Consortium showed that for every 1,000 housing units produced in a given year, \$77 million dollars is generated in local revenue and \$9 million is generated in taxes and fee revenue for local governments.

According to the State's Consolidated Plan, 272,564 low-income households pay more than half their income to housing costs. In 2002-2003, 51,380 homeless persons stayed in shelters that receive state funds. In this same period, there were 78,027 incidents of homeless people being turned away from shelters due to lack of space. Approximately 85,000 publicly assisted rental units in the state are affordable to low-income households, however, more than 50,000 households are on Public Housing Authority waiting lists.

CTED's HTF program has a responsibility to create and preserve safe, affordable housing to meet the housing needs of Washington's low-income populations and to protect that investment over time. The HTF is a state-supported capital program that is like no other because it serves to form a long-term state-supported interest in low-income housing properties. The state's investment of over \$390 million with over 930 projects providing over 25,000 units of affordable housing must be protected and maintained.

It stands to reason that as the HTF portfolio grows, the staff needed to manage the portfolio should also increase appropriately. An estimated 65 new projects are added to the HTF portfolio every year, adding to the technical assistance and site inspections needed in order to fully protect the state's investment in affordable housing – yet the number of HTF staff assigned to portfolio management has not increased in five years. Servicing the HTF portfolio is a critical part of the HTF mission given that each project represents a partnership with the state that has a term from twenty to fifty years.

An estimated 65 new projects are added to the HTF portfolio every year, adding to the technical assistance and site inspections needed in order to fully protect the state's investment in affordable housing – yet the number of HTF staff assigned to portfolio management has not increased in five years.

The ability of the HTF program to proactively provide technical assistance to projects prevents the need for costly foreclosures and the loss of affordable housing investments. Site inspections are essential to verify the projects are maintained and being utilized for the purposes intended when capital funds are committed. Unlike other state capital programs, each project contained in the HTF portfolio represents a long-term partnership between the state and the housing provider that requires vigilance from both parties in order to preserve and maintain the property to benefit low-income families.

It is critically important to understand that the continuum of housing services is highly dependent upon the role that each organization and sector plays. A change in one area can impact all the others. For example, a change in criteria used to provide assistance to the developmentally disabled can undercut the viability of an entire housing project. This is because housing facilities for the developmentally disabled typically rely upon the rent income that their clients generate to meet long term operation and maintenance costs. Meeting the affordability needs of Washington State citizens requires continuous attention to the role of each organization and program, to collaboration and coordination, and to the ability of programs to be sustainable and support each other.

Fact 5: The Federal Housing Choice Voucher Program (Section 8) is a critical component of affordable housing in Washington

The federal Housing Choice Voucher Program (Section 8) provided 42,851 low-income households with vouchers to help them pay for housing in 2003, at a cost of \$294 million in Washington State. The \$294 million in annual housing subsidies provided by the Section 8 Program represents a huge portion of the public subsidies to low-income housing in Washington. In comparison, the largest Washington State public subsidy program, the Housing Trust Fund, provides \$40 million per year.

Households receiving vouchers nationally:

- *Have an average annual income of \$10,000;*
- *Seventeen percent are headed by an elderly person; and*
- *Twenty-two percent are headed by a person with a disability.*

The current federal administration has proposed reducing Section 8 program funding in Washington State by \$35 million (12 percent or 5,194 households) in 2005, and \$95 million in 2009 (29 percent or 12,465 households), according to the Center on Budget and Policy Priorities. These proposed cuts could not be substantially addressed by other programs, since all other federal and state low-income housing subsidy programs only total \$160 million a year in Washington State.

If the proposed voucher program cuts are enacted, some current voucher holders will lose assistance. Because the other options for achieving savings are limited, it would be impossible to meet the proposed reductions without either cutting off assistance to some current voucher holders or raising tenant rents so high that some current voucher holders are likely not to be able to afford to stay in their homes. Nothing in the proposed cuts would prevent current tenants from losing assistance.

Housing agencies could implement the proposed cut without reducing the number of families assisted, but they would then have to impose extremely deep cuts in other ways. For example, agencies could make up for the entire cut by raising each voucher household's annual rent by an average of about \$850 in 2005 and \$2,000 by 2009. Theoretically, agencies could go a step further and actually increase the number of families served by raising rents even more sharply.

But rent increases on this scale would force families to divert money from other basic needs to pay for housing, and many of the poorest families would be unable to find any housing they could afford with the shrunken voucher subsidy.

In addition, it would be difficult as a practical matter for housing agencies to impose rent increases in 2005 that are large enough to compensate for the funding shortfall without lowering the number of families assisted. Agencies have contractual commitments to landlords that prevent them from reducing the approved rent level or raising the tenant's required rent contribution. Agencies may break these contracts and terminate subsidies if funding is inadequate, but they may not change the terms of the contract unilaterally while the contract is in effect.

Fact 6: Insufficient public infrastructure funding and regulatory barriers disproportionately burden affordable housing development

How can we increase housing development within urban growth areas where services can be provided more efficiently? The problem is not a lack of buildable land, but that the remaining land within urban growth areas (UGAs) is often constrained in ways that can make it expensive to build on. In order to utilize existing infrastructure and meet density targets, communities must redevelop land that has previously been built up. Redevelopment challenges within UGAs include land assembly, provision or upgrades of infrastructure, clean up, dealing with existing structures, and regulatory barriers to higher densities.

A. Infrastructure Funding Challenges

Counties and cities have a variety of sources to fund capital facilities. Capital facilities may be funded out of general funds, general obligation bonds, state accounts such as the Public Works Trust Fund, federal grants, or through the imposition of development fees or exactions.

However, a local government infrastructure study conducted by CTED in 1999 identified a \$3.05 *billion* shortfall based on local comprehensive plan capital facilities elements⁸. Provision of adequate funding for infrastructure is a challenge for local governments for a variety of reasons. State and federal funding sources have decreased, and local governments' ability to raise funds has been limited by property tax initiatives that limit annual increases to one percent per year. The one percent per year cap on regular property tax revenue growth has severely limited the ability to finance improvements with tax-backed bonds. Local governments, especially in rural communities, have also been impacted by the loss of revenue sharing with the repeal of the Motor Vehicle Excise Tax. Some local governments have moved from tax exempt general obligation bonds that spread the costs among all taxpayers, to finance mechanisms that focus on specific beneficiaries, such as Growth Management impact fees⁹, financing backed by utility rates, or through local improvement districts (LIDs).

Provision of adequate funding for infrastructure is a challenge for local governments for a variety of reasons. State and federal funding sources have decreased, and local governments' ability to raise funds has been limited by property tax initiatives that limit annual increases to one percent per year.

Washington municipalities have the option of imposing development fees and exactions upon developers as a means of insuring the provision of public facilities necessitated by new development. Developers, and by extension their customers, are being asked to pay more of the

⁸ Washington's Growth Management Act (GMA) requires the 248 cities and 29 counties fully planning under the GMA to plan for capital facilities to support development, including affordable housing.

⁹ Six of the 29 counties and 54 of the 218 cities fully planning under the GMA have filed impact fee ordinances with the Municipal Research Services Center. Most local governments levying impact fees do not levy the full cost of new infrastructure. In fact, the Growth Management Act requires that part of the cost of financing infrastructure for new developments should come from other funds.

costs of infrastructure because local governments have less general fund money available and taxpayers are less inclined to pay for growth. A prevalent attitude is: “I paid for my house, so why should I pay anything to support housing construction?”

Although impact fees and other development fees do not alter total costs of providing infrastructure, they do affect the distribution of costs, or who pays for the facilities. Each community must make a policy decision about whether the cost of new infrastructure is charged directly to the new users or spread, via higher taxes, across the community. Infrastructure costs in areas where there is little current development can be substantial. The developer is likely to pass these costs on to the home buyer. A Brookings Institution Center on Urban and Metropolitan Policy regarding impact fees and economic growth¹⁰ found that impact fees have complex effects on housing prices.

B. Regulatory Barriers to Affordable Housing

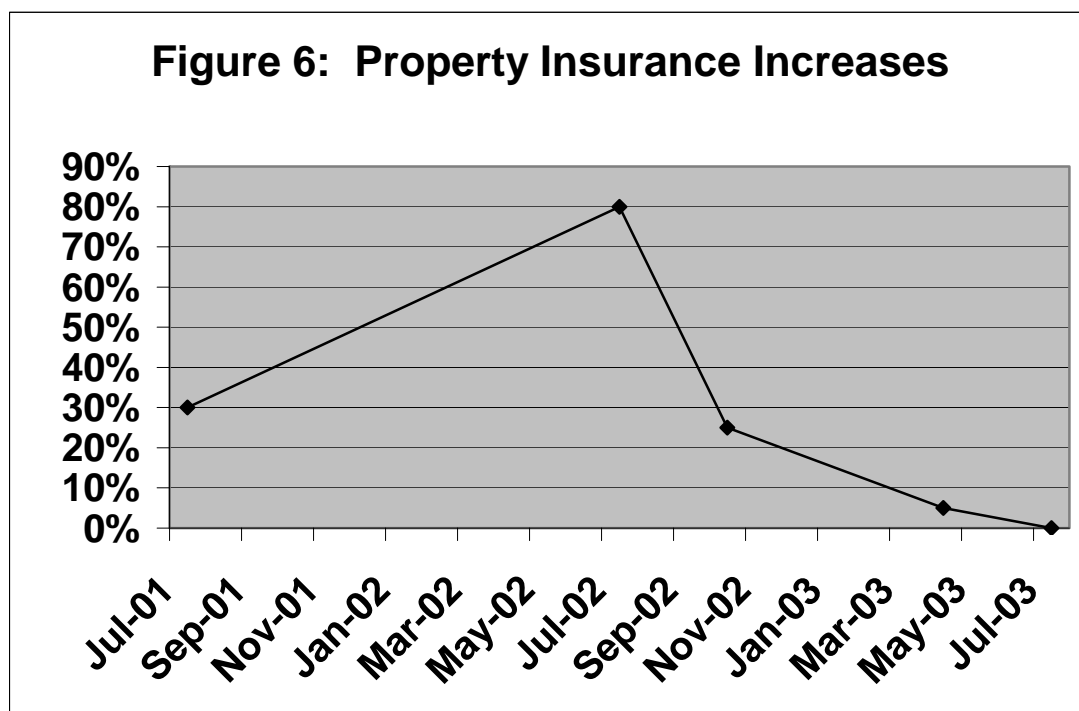
Local zoning regulations and development standards can limit development and redevelopment of affordable housing within UGAs. CTED funded four demonstration projects in 2003, asking that developers and local governments identify regulatory barriers to well-designed high-density low- or middle-income affordable housing developments inside of UGAs. The demonstration projects identified a number of local regulatory barriers to this type of housing, including:

- Bulk regulations that control building height and setbacks;
- Right-of-way requirements, e.g. wide street width standards or curb and gutter requirements requiring street replacement;
- Building height maximum requirements that do not take slopes into account;
- Minimum lot size requirements that translate to maximum densities;
- Lack of provision for small lots, cottage housing, zero lot lines, lot size averaging, or alleys;
- Landscape requirements that reduce the developable portion of a site or do not allow flexibility of site design;
- Parking requirements that do not take into account reduced need for parking for multi-family or mixed-use development, the availability of transit, or on-street parking;
- Inconsistencies between regulations;
- Permit process challenges with multiple city or county departments involved.

¹⁰ See *Paying for Prosperity: Impact Fees and Job Growth*, Arthur C. Nelson, Brookings Institution Center on Urban and Metropolitan Policy (2003).

Fact 7: Insurance costs for housing continue to increase

During the last AHAB plan period, insurance costs skyrocketed and many insurers dropped their coverage for builder's risk and multifamily housing. This greatly impacted Washington's housing industry, particularly small contractors and subcontractors, condominium builders and nonprofit housing developers. Dupre + Scott reported that insurance was the biggest escalator in apartment operating costs—up 80 percent in just three years (2000-2003).



Data taken from Marsh, Inc. *Insurance Market Reports* for the North American insurance market 2001-2003—top average increase at renewal date.

The insurance industry is highly cyclical. After half a decade of modest insurance rate increases, the industry was impacted by multiple crises such as the devastation of September 11 in New York and costly mold cases in Texas. Many carriers are located in the Midwest or East Coast, but apply their regional underwriting philosophy on a nationwide basis. To reduce their risk exposure, a number of carriers decided simply to drop what they viewed as high-risk sectors, including multifamily apartments, senior and disabled housing, subsidized housing, and condominiums, even though these types of housing in Washington State have performed relatively well.

The insurance industry is highly cyclical. After half a decade with only modest insurance rate increases, the industry was impacted by multiple crises such as the devastation of September 11 in New York and costly mold cases in Texas.

By 2003, only one standard carrier was providing insurance for condominium construction in the state, and only two or three carriers were insuring new customers for multifamily housing properties. Contractors and developers were turning to carriers that are not admitted in Washington and not subject to the state's guarantee fund.

The building industry and nonprofit housing providers worked to find some solutions to the insurance crisis. AHAB brought in a panel of experts to discuss a variety of strategies, including alternative forms of insurance like risk retention groups and self-insurance pools, tort reform, prohibiting cancellation if the only reason is that the housing serves low income tenants, and longer cancellation notice periods.

Legislators responded to the insurance crisis during the 2004 session by passing two bills aimed at bringing some relief:

1. SB 5536 addressed issues in condominium construction insurance. It created a new warranty program, established a Governor's task force to make recommendations on third party inspections for water penetration, and created an arbitration procedure for defect claims before the 2005 session. The task force will have to address whether the new warranties reduce a condominium owner's ability to gain restitution from poor construction, and whether insurers will offer the warranty program in the U.S.
2. SB 5869 allowed nonprofits to form self-insurance pools and to join governmental self-insurance pools. In addition, the Legislature provided a \$1 million supplemental appropriation to help capitalize a self-insurance pool for nonprofit housing developers. CTED is required to report back to the Legislature before the 2005 session with a plan for how these resources are to be used. After passage of the legislation, two entities currently providing governmental insurance pools expanded their services and began setting up new self-insurance pools for nonprofits. Both have been approved by the State's Risk Manager, but it is yet to be determined if these pools will be less expensive than what the standard insurance market offers.

Insurance costs have leveled off, but insurance agents warn that another upward spiral can be expected in the coming decade.

Insurance costs have leveled off, but insurance agents warn that another upward spiral can be expected in the coming decade. Recent exposure from hurricanes could bring another near-term round of premium escalations and reduced coverage. Contractors must have insurance in order to stay in business. Best's Rated insurance (at least A-7, but commonly A) is required by lenders for developers to receive construction financing and for property owners to have a mortgage. A healthy, competitive insurance market is important to the housing industry as a whole, and stable, predictable insurance costs are especially important to housing providers with rent-restricted properties.

Even though Washington State's low-income housing developers and managers have created an impressive portfolio of successful housing projects, the identity and superb performance record of these projects is ignored, and possibly discriminated against, by the nation's insurance industry. The cost of insurance – both construction and long-term liability – has been increasing beyond an affordable level. Disparities in market rates between private and non-profit housing activities are driving the need for alternatives to the private insurance market.

Fact 8: Homelessness remains a pervasive and persistent issue

In 2003, 51,380 individuals in 35,943 households were provided emergency shelter in Washington State through state-supported emergency shelters (about 75 percent of all shelters). Shelter stays averaged 23 days. Fifty percent of the individuals served were in families with children. Although requests for shelter are duplicated when people try several shelters over a period of days, turnaways are an indicator of shelter demand. There were 78,027 unfilled shelter requests in 2003, which is an increase over the 66,473 turnaways in 2001.

The costs of homelessness:

- *Children without a stable, secure place to live are more likely to do poorly in school and to become homeless adults.*
- *People who sleep in their cars, under bridges, in alleyways and near building entrances can deter business and tourists.*
- *Homeless people are more likely to have health problems and use emergency rooms for treatment – costs of emergency treatment are much higher than prevention or regular treatment.*

In Washington State, the 143,736 households that earn less than 30 percent of the median income and are paying more than 50 percent of their incomes for rent are at extreme risk of becoming homeless. A missed paycheck, a health crisis or an unpaid bill can push these poor families over the edge into homelessness.

Children who do not have a stable and secure place to live do poorly in school and are much more likely to become homeless as adults. Nearly 50 percent of homeless school age children do not attend school regularly and are twice as likely to repeat grades and have serious learning disabilities.

In addition to the human cost of homelessness, the cost to communities is considerable. People who sleep in their cars, under bridges, in alleyways and near the entrances of office buildings can be a deterrent for business activities and tourism. People who are homeless are more likely to suffer from health problems. Conditions that require regular treatment are extremely difficult to treat or control among those without adequate housing. Homeless people use emergency rooms for medical treatment – costs of emergency treatment are much higher than prevention or regular treatment.

Since 1985, substantial state and federal funds have been appropriated to alleviate homelessness in our state and nationally. Nevertheless, it remains a pervasive and persistent issue. A lack of affordable housing, the limited scale of housing with supportive services and stagnant or falling incomes are primary causes of homelessness. Extremely low-income households do not have enough money to pay for rising housing costs as well as other basic costs of living.

Significant federal emphasis on planning for homelessness through promotion of 10-year plans has not been matched by an increased federal commitment of resources. In fact, reductions in Section 8 and public housing significantly undermine the federal rhetoric. Strong coordinated advocacy within Washington State and collectively among states is essential to align the federal policy and resources decisions.

There is insufficient information on the true numbers of homeless people in Washington. There is limited coordination between agencies regarding collection and sharing homeless data collection, complicated by confidentiality issues. A common interactive data system is essential to determine need and to track the efficacy of programs.

Most homeless people need housing plus supportive services. There is a lack of affordable housing and a lack of supporting services for homeless people in Washington. Housing providers cannot serve homeless people unless there are service dollars available and service providers cannot find housing that is affordable to their homeless clients. Clearly, there is insufficient coordination between housing and services policy makers and funders as well as between housing providers and service providers.

A significant number of people with chronic conditions, including those with mental illnesses or addictions, are frequently not able to access income assistance through Supplemental Security Income (SSI) or supportive services through Medicaid. Even with income assistance from SSI, they are not able to pay sufficient rent to cover ongoing operating and maintenance costs of housing. In 2005, there may be no service dollars to support people with chronic mental illnesses or addictions who are ineligible for Medicaid.

Fact 9: Low-income people with the greatest needs require affordable housing and services to remain in housing

Many low-income people, including those with mental, physical, or developmental disabilities and/or those who are victims of domestic violence, need supportive services in order to maintain housing over the long term. Without support, many people with physical and mental disabilities lose their housing, and end up in costly emergency rooms, jail, and prisons, or on the street. Many homeless individuals and families require housing and services, at least initially, to break the repeating cycle of homelessness.

For the purposes of AHAB, supportive housing combines community-based housing that is affordable to people typically making less than 30 percent of area median income (AMI) plus the services that are necessary to support residents to maintain their housing. Affordable housing may be either permanent or transitional. Services may include a combination of those covered by Medicaid like medical services, mental health services, addiction services, transportation services and those not covered by Medicaid, such as case management, life skills, social supports. Medical, mental health, and addiction services are directly connected to individuals not housing units. Other services may be more flexible in how they are structured and delivered in housing.

Many homeless individuals and families require housing and services, at least initially, to break the repeating cycle of homelessness.

For the purposes of AHAB, supportive housing does not include emergency shelters, licensed treatment facilities for adults or children, foster care providers, nursing homes, group homes, adult family homes, supervised living facilities, jails, prisons, or hospitals.

Although it is clear there are far more people in need of supportive housing than is currently available, an exact account of the need is not currently available. Figure 7 on the following page provides rough estimates of the total need.

Figure 7: Supportive Housing Needs in Washington State

Special Need Population	Total Population	Estimated Need for Supportive Housing	Percent Estimated Need of Total Population	Total State-Financed Housing Units
Disabled Elderly Households (Age ≥ 65)	59,936	24,835	41%	NA
Households, self-care disabilities (Age 25 - 64)	62,242	11,599	19%	178
Households, mental health disabilities (Age 25 - 64)	233,562	43,524	19%	948
Persons with Developmental Disabilities	35,974	2,522	7%	821
Persons needing Substance Abuse Treatment	413,833	99,863	24%	479
Persons with AIDS	408	408	100%	207

Sources: 2000 Census; An Analysis of Unmet Service Needs for Washington State's Division of Developmental Disabilities, DSHS 1999.

For the most part, state investments in housing and services are not well coordinated. Most federal and state services dollars are connected to individuals not to housing units. While subsidized housing providers offer the most affordable housing, they often do not serve those in greatest need. Clients, public income assistance, and public service systems are paying more than is necessary in the private market to acquire housing.

Most people needing supporting services are extremely low income, 0-17 percent AMI. They cannot pay sufficient rent to cover the basic operating and maintenance costs of housing. The major source of rent subsidy for these individuals is HUD's Section 8 program. This is the largest housing subsidy in the state, except for homeowner's mortgage subsidy. While the Section 8 program has had strong bipartisan support since the 1980s, it is under attack in the current administration. Funds have been reduced in the current budget, and there is the risk of huge reductions over the next four years (see Fact 5). Without rent/operating subsidies, supportive housing cannot be sustained.

The *Olmstead* U.S. Supreme Court decision of 1999¹¹ supports deinstitutionalized and community living options wherever appropriate. This decision directs states to offer community-based housing and supporting services to individuals who are living in institutional settings and who have the capability and desire to live in less restrictive community based settings. However, there is not enough affordable housing to meet the demand.

¹¹*Olmstead v. L.C.* (98-536) 527 U.S. 581 (1999) 138 F.3d 893.

The state investment to maintain and expand our prison systems is staggering. The Washington State Department of Corrections (DOC) has identified a major contributor to recidivism to be released offenders with no income, no stable housing options, and mental and physical disabilities or addictions. Collaborative programs providing housing and services funded by DOC and CTED could significantly reduce overall state expenditures. There is considerable national evaluation data that demonstrates the efficacy and cost effectiveness of these programs.

Chronically homeless people, those who suffer from long-term and/or repeated episodes of homelessness, are now the focus of a variety of policy initiatives in the state including the 10-Year Plan to End Homelessness, the State Policy Academy to address Chronic Homelessness, the Taking Health Care Home grant from the Corporation For Supportive Housing, and Partnership for Community Safety. Creation of supportive housing is a key strategy for each of these initiatives. They require coordination at the highest level to eliminate duplication of effort and to assure that resulting policies, plans, and resources maximize the state impact on homelessness.

Fact 10: Manufactured housing is an important source of affordable housing

Almost a fifth of all single-family homes in rural Washington are factory built, manufactured¹² housing. In some rural counties, more than half of all new housing is factory built. Factory built housing is an important source of affordable housing in Washington State.

Figure 8: Factory Built and Site Built Single Family Units, 2003

	Site Built Single Units	Factory Built	Total Single Site Built and Factory Built Units	Factory Built Units as percentage of all single units
Statewide	1,677,032	236,552	1,913,584	12%
King, Pierce, Snohomish, Clark	926,016	74,126	1,000,142	7%
All Other Counties	751,016	162,426	913,442	18%

Source: 2000 Census

Manufactured housing fills a gap for affordable home ownership for primarily two groups of low- to middle-income Washington residents: first time homebuyers (often new families) and retired senior citizens (often their final home). By the end of 1999, manufactured homes had increased to almost 12 percent of the total housing stock in Washington. An economic downturn for the manufactured housing industry began in late 1999 and continues today. Some experts believe that the market is stabilizing or slightly increasing due to pre-owned home sales.

Despite new legislation prohibiting local governments from discriminating against the siting of a manufactured home, manufactured homes are still not accepted in many communities. Considerable work is needed with elected officials and communities to educate them regarding the quality of manufactured housing and the opportunities for provision of single-family affordable housing.

¹² RCW 59.20.030 defines mobile homes and manufactured homes as follows:

(3) "Manufactured home" means a single-family dwelling built according to the United States department of housing and urban development manufactured home construction and safety standards act, which is a national preemptive building code. A manufactured home also: (a) Includes plumbing, heating, air conditioning, and electrical systems; (b) is built on a permanent chassis; and (c) can be transported in one or more sections with each section at least eight feet wide and forty feet long when transported, or when installed on the site is three hundred twenty square feet or greater;...

(4) "Mobile home" means a factory-built dwelling built prior to June 15, 1976, to standards other than the United States department of housing and urban development code, and acceptable under applicable state codes in effect at the time of construction or introduction of the home into the state. Mobile homes have not been built since the introduction of the United States department of housing and urban development manufactured home construction and safety act....

Some level of resistance to manufactured homes could be attributed to their location in poorly maintained mobile home parks – vestiges of which appear in many counties statewide. Between January 2002 and June 2002, the Office of Manufactured Housing (OMH)¹³ received 47 complaints about possible safety and health hazards in manufactured housing communities (also known as “mobile home parks”). In addition, OMH relocation assistance program data reveals that nine parks were reported closed for safety and/or health hazards, of which four closed in 2003. Currently, two parks are reported closing for safety and/or health hazards and one other is at risk.

Financing for manufactured homes continues to be a challenge because they are not considered real property. Manufactured homes receive a title at time of purchase, rather than the deed of ownership that is received by traditional site-built homes. Fannie Mae continues to work with states to codify manufactured homes as real property versus personal property, an option that already exists in Washington. Additional changes are needed to remove the current licensing as a vehicle and replace it with a certificate of deed or other option.

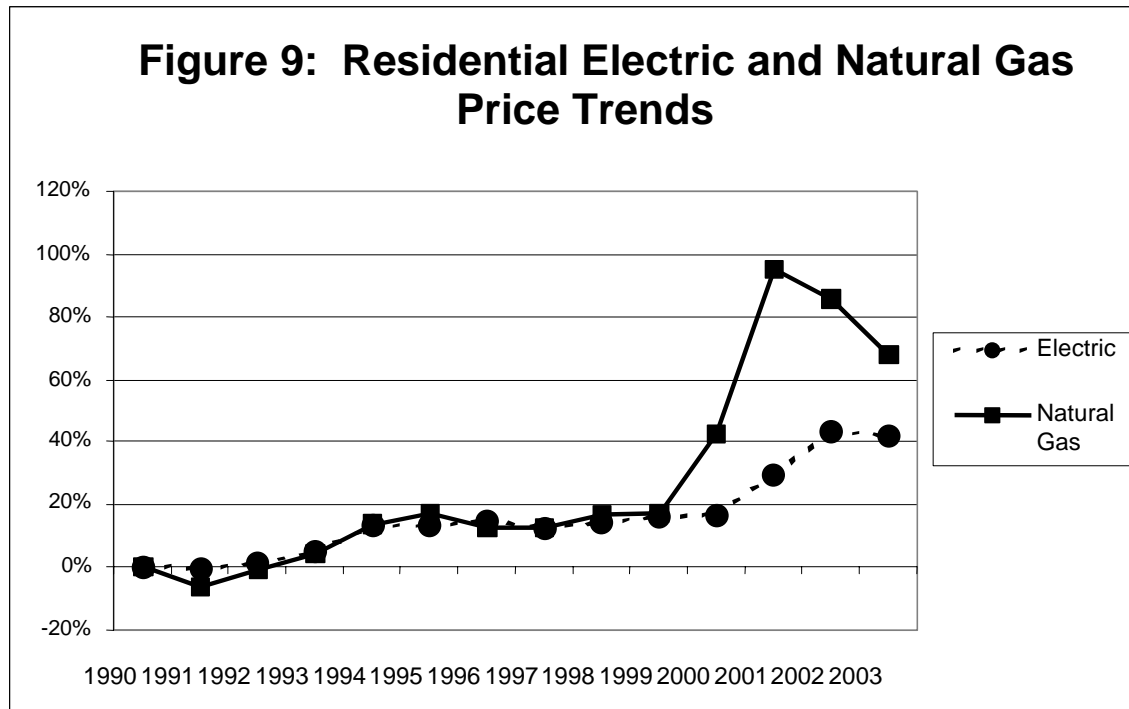
Financing for manufactured homes continues to be a challenge because they are not considered real property. Manufactured homes receive a title at time of purchase, rather than the deed of ownership that is received by traditional site-built homes.

A Fannie Mae program available in Washington State will allow financing up to \$333,700 for qualified borrowers purchasing a HUD code Manufactured Home to be placed on the borrower's real property. Freddie Mac has piloted land lease community programs in other Western states. If successful, Washington State may see community banks participate in this program, which allows mortgage financing of HUD code Manufactured Homes placed in long-term land lease communities (with the exception of tribal trust lands), provided property can be held as a leasehold estate with a term longer than the loan term.

¹³ The Office of Manufactured Housing is a program within the Housing Services Division of CTED.
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Fact 11: Rising energy costs continue to impact the affordability of housing

Household energy costs soared in 2001 due to cost increases in both natural gas and electricity. Current natural gas prices exceed 1990 prices by 68 percent; current electricity prices are 42 percent higher than 1990 prices.



Source:

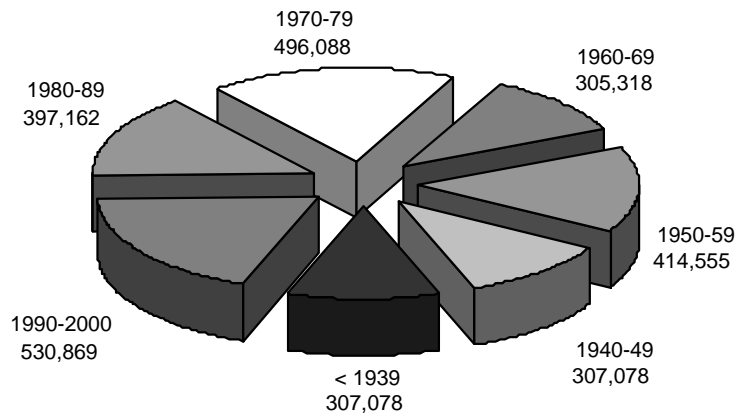
Washington State University Energy Extension Program

(Fact 11 Continued)

Low-income households typically live in some of the oldest housing in the state (see Figure 10), increasing further the already high energy costs for these households. CTED estimates that, at a minimum, 160,000 households are in need of home energy efficiency (weatherization) services.

Figure 10: Washington State Housing Units by Year Built

(based on 2000 Census)



Fact 12: Adequate farm worker housing is key to the state's agricultural economy

Washington State's economy is highly dependent on the health of the agricultural industry, which is supported by the workers who cultivate and harvest agricultural commodities. Washington's total agricultural production (what the farmers were paid for crops) was \$5.94 billion in 2001, which created an economic impact of about \$29 billion. This represented 13 percent of the Gross State Product of \$222.95 billion in 2001¹⁴.

In 1998, recognizing the critical need for additional safe, decent and affordable housing for farm workers, Governor Gary Locke declared farm worker housing to be the state's number one priority housing need and included \$40 million for this purpose in his ten-year capital budget plan. In 1999, a legislative proviso established funding for a Farm Worker Housing program within the Housing Trust Fund. The program applies a three-pronged strategy to addressing farm worker housing needs that include:

- Capital investments in permanent (year-round) housing for farm workers;
- Capital and operating investments in seasonal housing for migrant workers; and
- Emergency assistance for homeless migrant workers with no income immediately available.

Since 1999, a total of \$29.6 million has been committed to farm worker housing, including multi-family housing, homeownership assistance, seasonal camps, and on-farm housing. These investments have created 780 units of permanent housing and 3,953 seasonal beds.

While significant progress has been made, there is still much to be done. There is not enough housing available for the thousands of farm workers and their families during seasonal variations in agricultural employment. Farm workers generally do not make enough money to afford market-rate housing.¹⁵ Lack of housing can impact the availability of labor and a shortage of labor during the harvest can result in the loss of millions of dollars to farmers and the state's economy. The arrival of workers to fill the seasonal jobs can overwhelm communities and contribute to a public health crisis when homelessness or substandard and overcrowded housing conditions become epidemic.

A 1996 report by the Department of Health, *Common Sense and Science: New Directions in the Regulation of Temporary Worker Housing*, estimated that approximately 62,300 migrant farm workers need housing at approximately 1,000 Washington farms per year. In 2003, only 6,415 seasonal beds were licensed by the Department of Health at 115 sites statewide.

¹⁴ Washington Agricultural Statistics Service (USDA National Agricultural Statistics Service)

¹⁵ According to the Washington State Employment Security Department, the average annual farm worker income in 2003 was \$9,948, and the average number of hours worked was 924 (somewhere around 2000 hours is considered full time). This is an average of all agricultural workers, including seasonal and year-round workers. It also takes into account supplemental income earned through non-agricultural employment, but only includes income earned in the state of Washington. The proportion was about 35 percent seasonal to 65 percent non-seasonal in 2003.

In 2000, a grant from the Department of Housing and Urban Development enabled CTED to implement a farm worker housing infrastructure program and a One-Stop Center. These programs worked in partnership together to provide technical and financial assistance to growers to develop the necessary infrastructure for licensed on-farm housing. The program distributed over \$2 million to 55 growers, preserving or creating 2,662 seasonal beds, and leveraging over \$5.5 million in private investments. As federal funding for the infrastructure program has now been exhausted, there remains a critical need to assist growers in developing sufficient on-farm housing to meet the needs of all migrant workers.

Housing Progress Report: 1999 - 2004

Affordable housing is a continuing challenge in our state. Washington's booming economy of the 1990's gave way to a reduced economic climate in the first years of the 21st century. While interest rates decreased significantly and remain low, unemployment soared in Washington State and household income remained flat.

Net migration slowed in the late 1990's. However, projections from the Washington State Office of Financial Management indicate Washington's population growth is reflecting the improving economy. Growth is expected to remain relatively slow through 2005 and then gradually rise to 80,000 or more per year in 2008¹⁶. Continued population growth will require steady increases in housing stock to keep pace with demand. Greater divergence of income levels within urban areas and between cities and rural areas concentrates purchasing power and drives median prices beyond the reach of many would-be buyers and renters. The seasonal nature of Washington's agriculture industry contributes directly to the volatility of the state's rural low-income housing markets and service system.

Despite the tough economic times of recent years, Washington's record in providing affordable housing resources continues to be better than many other states. The success of the Housing Trust Fund in leveraging dollars from other investors, and the willingness of voters and legislators to support public funding for low-income housing, are notable bright spots. Increases in housing's share of the state Private Activity Bond Cap and federal increases in the Private Activity Bond Cap and Low-Income Housing Tax Credits have helped the state obtain more housing resources.

However, the case for affordable housing must continually be made, enlisting the good will of Washington's citizens and the vigor of its economy on behalf of the basic human need for available, accessible and appropriate shelter.

AHAB has been an advocate for maintaining and enhancing the provision of affordable housing in Washington. Accomplishments in which AHAB has played a part during the last five years include¹⁷:

- Increased Private Activity Bond Cap and Low-Income Housing Tax Credits by 40 percent in 2000.
- Increased housing's share of the state Private Activity Bond Cap from 25 percent to 32 percent in 2001.
- Increased the Housing Trust Fund from \$70.5 million to \$78 million in 2001-2003 and \$78 million to \$80 million in 2003-2005, despite a \$2.6 billion state budget short fall.

¹⁶ *Forecast of the State Population by Age and Sex: 1990 – 2030 (November 2003)*, Washington State Office of Financial Management.

¹⁷ See Attachment B for a complete report on AHAB Strategic Direction Accomplishments.

- Increased the state's investment in farm worker housing. In the summer of 1998, Governor Gary Locke, recognizing the critical need for additional safe, decent and affordable housing for agricultural workers, declared farm worker housing to be the number one priority housing need in the state. As a result:
 - √ The legislature appropriated \$8 million during each of the 1999-01, 2001-03, and 2003-05 Biennia from the State Building Construction Account. These funds have been used to create and support home ownership of 70 units, 710 permanent year-round rental units, 225 temporary seasonal units, three seasonal camps, and rental tents.
 - √ CTED provided funds to the Department of Health for emergency housing vouchers for both individual farm workers and farm worker families displaced from their living situations because of health and safety issues.
 - √ In 1999, the HFC began encouraging the development of permanent farm worker housing by awarding 20 points for setting aside 100 percent of the units in a tax credit project for qualified farm worker households. More than 800 units of permanent farm worker housing have been financed since this incentive was introduced.
- Supported SHB 2060, enacted in 2002, that provides for a document recording fee surcharge for counties and the state to fund affordable housing. To date, the fee has generated \$19,236,734 for local governments statewide. Some counties are waiting to accumulate enough funds to complete a project. Others have already committed funds. For example: Island County is funding multi-family housing that includes emergency and transitional shelter; King County is funding emergency shelters, and permanent and transitional low-income housing; Spokane County is starting a local housing trust fund; and many counties are funding emergency shelters.¹⁸ The bill also generated \$8,795,000 that has been used by CTED to provide operating funds to Housing Trust Fund projects that need more than capital funds to be viable.
- Preserved over 21,000 affordable homes through state weatherization and repair programs. Since June 1, 1999, the Housing Trust Fund (including the federal HOME Partnership Investment Program) provided funding to preserve 703 units of HUD/USDA housing, including Section 8 housing.

¹⁸ See Attachment C, *Projects Developed with the Document Recording Fee Surcharge – May 2004*, for the full list of funding amounts and projects by county.

- Supported SB 6593, which will become effective on July 1, 2005. This law prohibits local governments from enacting any statute or ordinance that discriminates against consumers' choices in the placement or use of a manufactured home. It requires the manufactured homes built to federal regulatory standards be subject to the same siting regulations as site-built homes, factory-built homes, or homes built to any other state construction standard.
- Supported legislation aimed at bringing some relief in response to the insurance crisis that was passed during the 2004 session. SB 5536 addressed issues in condominium construction insurance. It created a new warranty program, established a Governor's task force to make recommendations on third party inspections for water penetration, and created an arbitration procedure for defect claims filed before the 2005 session.

Strategies for Meeting Washington's Affordable Housing Needs: 2005 - 2010

In response to the facts and issues raised in this plan, AHAB will pursue and/or support the following strategies to achieve safe and affordable housing for all Washington citizens.

A. Maintain, Improve and Continue to Increase The Supply of Affordable Housing

1. Support an increase in the Housing Trust Fund (HTF) from \$80 million to \$100 million in 2005-2007, and to a minimum of \$120 million in 2007-2009, to create and preserve affordable housing for low-income residents within Washington State. Support use of the HTF for its original purpose and pursue funding from other sources for new housing initiatives.
2. Invest HTF resources strategically, based on market conditions and needs, balancing the need to maintain and preserve the viability of existing housing units with funding requirements of new projects.
3. Manage the HTF portfolio to continue to protect the state's investment and maintain the public benefit of providing low-income housing. Support an increase to the HTF administrative cap from four percent to five percent to enable the responsible management of HTF projects as they are added to the already sizeable portfolio.
4. Continue to expand the amount of private activity bond cap available to the Housing Finance Commission and to housing authorities.
5. Increase coordination of decision-making by state and local funders to ensure opportunities for leveraging are maximized.
6. Protect the state's inventory of low-income housing through advocacy in opposition to the Federal Housing and Urban Development (HUD) renewal policy, which caps agencies' Housing Assistance Payment (HAP) costs for the Housing Choice Voucher Program.
7. Support efforts to apply and promote sustainable building practices throughout CTED's housing programs.
8. Support CTED efforts to secure and leverage funds (public and private) for weatherization, repair and rehabilitation and lead-based paint mitigation funding.
9. Support CTED provision and administration of funding to a statewide network of community-based contractors to preserve and improve the energy efficiency, durability, and safety of the homes of low-income households.
10. Support the streamlining and consolidation of CTED housing rehabilitation programs, policies, procedures, and standards with input from stakeholders and technical experts.

11. Support CTED participation in regional and national committees to educate Congress and other decision makers on the value of funding low-income weatherization.
12. Promote energy utility participation in low-income weatherization programs, e.g. Energy Matchmakers.
13. Support the purchase, preservation or replacement of existing mobile home parks to maintain affordable options for mobile home owners.

B. Increase Local Government Financial Support For Affordable Housing

1. Support and assist local governments and communities to effectively use resources from the local share of the document recording fee surcharge (SHB 2060).
2. Encourage local governments to increase funding efforts for affordable housing, such as low-income housing levies and increasing the levy cap.

C. Make More Public Investment In Infrastructure

1. Reexamine the balance of “who pays for growth” with respect to affordable housing. Support more public investment in infrastructure from general tax revenues rather than depending on impact fees, hook-up fees and development requirements that can add to housing costs. Provide state and local government with adequate general tax revenues to provide for infrastructure costs.
2. Support deferral of impact fee collection or waiver for low-income housing:
 - a. Encourage counties and cities to negotiate with a school district to waive impact fees for affordable housing.
 - b. Clarify the ability in statute for locals to waive charges for systems and utilities for low-income housing.
 - c. Continue to support impact fee deferral, provided it does not impact a jurisdiction’s ability to eventually collect.
3. Pursue a constitutional amendment to make tax increment financing work in this state.

D. Pursue Regulatory Strategies And Incentives That Support Affordable Housing

1. Promote local inclusionary zoning requirements for affordable housing or voluntary programs with density bonuses and other incentives for developers.
2. Require minimum densities within urban growth areas (UGAs):
 - a. Require minimum density targets in UGAs for each jurisdiction.
 - b. Require review of development regulations for barriers to achieving higher densities within UGAs, e.g., setback, right-of-way, building height and parking requirements.

- c. Encourage cities to take advantage of the categorical exemption from the State Environmental Policy Act (SEPA) for residential development in areas where they are not meeting targeted densities.
3. As an important source of affordable rental housing, support provisions that allow accessory dwelling units subject to local regulations.
4. Substantially simplify local building codes through the state building code, without compromising public safety.
5. Encourage better environmental review of plans and regulations to streamline permitting. Support funding for CTED's Planning and Environmental Review Fund (PERF).
6. Encourage priority permit processing for low-income housing developments.
7. Allow smaller rural communities outside of urban growth areas to do more with density - create small nodes of development surrounded by rural land.
8. Allow property tax reductions for affordable housing by expanding tax exemptions or credits for owners of lower income housing and supporting other tax breaks for developers of affordable housing.
9. Provide more public education and community involvement so that citizens see that housing density can be accomplished in a way that enhances rather than detracts from the quality of life.
10. Examine other ownership models such as "mutual housing" and cooperatives.

E. Help Developers Address Rising Insurance Costs

1. Support stable insurance costs for affordable housing providers with rent restricted properties.
2. Ensure there is affordable and available insurance coverage for housing contractors, particularly condo builders, small homebuilders, and subcontractors.
3. Promote risk-reduction and safety programs within the affordable housing industry.
4. Continue to work on liability reform for all housing development and operations while protecting consumer interests.

F. Significantly Reduce Homelessness For Individuals And Families

1. Adopt and implement a coordinated executive branch initiative with the goal of ending homelessness in Washington State in ten years.

2. Expand the private/public funding model created with the Homeless Families Services Fund to meet the statewide need for homeless families by providing a cumulative total of \$15 million in services funding; replicate the private/public funding approach to address the housing plus service needs of other homeless populations and special needs populations.
3. Prioritize and coordinate state housing and services investments to significantly increase permanent housing for chronically homeless adults.
4. Improve the coordination of data collection and reporting between the state and local service providers by expanding the Homeless Management Information System statewide.
5. Strongly advocate at the federal level to maintain and expand more mainstream resources for homeless individuals and families.

G. Promote Supportive Housing

1. Increase significantly the amount of permanent supportive housing created in Washington State.
 - a. Maintain the Housing Trust Fund's commitment and priority for serving the lowest income individuals and families; maintain incentives within the nine percent tax credit program to serve individuals with extremely low incomes and special needs.
 - b. Promote, in projects that also serve those at 30-60 percent Area Median Income (AMI), some permanent supportive housing serving the 0-30 percent AMI individuals and families. Mixed income models are consistent with DSHS policies for disabled individuals and spread the impact of low rent payments across a broader base.
 - c. Better coordinate DSHS priority populations who received existing service dollars and existing CTED housing resources designed to serve lowest income populations.
 - d. Explore the possibility of tapping the State Charitable, Educational, Penal and Reformatory Institutions account funds (RCW 43.79.201) to address the gap in operating and maintenance dollars for disabled individuals moving out of institutions into community based supportive housing.
 - e. Increase the supportive housing capacity of local housing and service providers through federal, state, and privately sponsored technical assistance.
2. Promote strong leadership and create a structure within state government accountable for supportive housing for homeless people and people with special needs.
 - a. Create a cabinet level group and assign a high level policy person from the Governor's staff to oversee policy direction, resource allocation, and evaluation of affordable housing plus services for homeless people and people with special needs.
 - b. Implement a coordinated executive branch initiative to address homelessness. Include, at least, representation from the Department of Community, Trade and Economic Development, Department of Social and Health Services, Department of Corrections, Department of Health, Department of Veteran's Affairs, Office of Superintendent of Public Instruction, and Department of Employment Security.

- c. Coordinate and maximize the impact of statewide planning initiatives like the Policy Academy for Chronically Homeless Individuals, the 10 Year Plan to End Chronic Homelessness, the Taking Health Care Home Grant, and the Partnership for Community Safety.
- d. Develop the cross systems data capability between state departments to describe, track and report needs, existing projects, outcomes and costs of affordable housing plus services in the state.

H. Promote Quality Manufactured Housing And Fair Regulation

- 1. Support CTED provision of technical assistance and encouragement of local governments to implement SB 6593 by revising local regulations that have the effect of discriminating against consumers' choices in the placement or use of a manufactured home.
- 2. Work with community banks to develop manufactured home loan programs that conform to Fannie Mae and Freddie Mac guidelines.
- 3. Support changes to land use codes to allow for condominium conversion or other home ownership opportunities for land currently zoned for mobile and manufactured home parks.
- 4. Develop a homeowner strategy that supports movement from mobile to manufactured homes.
- 5. Develop a homeowner strategy that supports the allowance and acceptance of manufactured homes for both new development and redevelopment/in-fill projects.
- 6. Support expansion of the Office of Manufactured Housing to include other services to provide homeowner opportunities for seniors and first-time homebuyers.

I. Increase Investment In Farm worker Housing

- 1. Acknowledge the long-term nature of the state's involvement in the development and support of farm worker housing through the establishment of a permanent office of farm worker housing in CTED. Given the importance of the agricultural industry to the state's economy, it is critical that the unique role that permanent, seasonal and emergency housing plays in support of this industry be fully recognized and supported.
- 2. Continue support for a continuum of housing for farm workers that include on-farm and community based seasonal housing, permanent community based housing and emergency housing, when necessary.
- 3. Support the provision of more community based, affordable permanent housing for farm workers, including homeownership opportunities.

4. Support development of on-farm seasonal units with major investment from the agricultural industry with incentives from the state. Support an appropriation of capital funds for a Farm Worker Infrastructure Housing program to assist growers to develop on-farm infrastructure that supports seasonal farm worker housing on farm property.
5. Look for opportunities to remove regulatory barriers to the development and management of safe and healthy farm worker housing.
6. Consider tax incentives that encourage siting of farm worker housing in agricultural communities.
7. Conduct a study to address the social and economic impacts of farm worker housing in rural areas and communities across the state
8. Continue to look for viable options to create off-farm seasonal housing through partnerships with local communities, growers and the state.

Future Challenges

AHAB recognizes that there are a number of issues not addressed in this plan that will require future consideration by AHAB. These include:

- **Lead-based paint**

According to Federal government data¹⁹, between 86 percent and 95 percent of all residential lead-based paint hazards are found on housing built before 1960. In Washington, 722,000 housing units were built before 1960. Low-income families occupy 20 percent (approximately 145,000) of these 'lead-risk' housing units. Nearly 68 percent of all pre-1960 housing occupied by low-income families are not protected by HUD's lead-based paint regulations (1999). In Washington, this number is nearly 90,000 units.

The issue of lead-based paint hazards in housing is not only a safety and health concern, but is inseparable from affordability. Measures taken to maintain and preserve established, older housing are generally more cost effective than replacing it. Looked at from this perspective, a comprehensive approach that emphasizes lead-safe weatherization and rehab, as well as targeted remediation of lead-paint hazards, is an investment in the future of affordable housing.

Aligning itself with the Federal '2010' Strategy for dealing with lead-paint hazards, Washington would target the 722,000 housing units built before 1960. These structures are currently, at a minimum, 45 years old. Those that have not undergone significant renovation are now in need of attention. By applying a comprehensive, strategic approach, Washington can hope to preserve as many as 500,000 safe, affordable housing units for another 50 years.

- **Future cuts in the Section 8 voucher program**

The current federal administration has proposed reducing Section 8 program funding in Washington State by \$35 million (12 percent or 5,194 households) in 2005, and \$95 million in 2009 (29 percent or 12,465 households). These proposed cuts could not be substantially addressed by other programs, since all other federal and state low-income housing subsidy programs only total \$160 million a year in Washington State.

If the administration moves forward with proposed cuts to Section 8 housing, AHAB will have to develop new strategies for addressing the significant reduction in resources available for affordable housing.

¹⁹ President's Task Force on Environmental Health Risks and Safety Risks to Children, February 2000.

- **Housing for the elderly – changing demographics**

Washington's elderly population will grow rapidly after 2005. The population of age 65 and older, estimated at 686,400 in 2005, is expected to reach 806,500 in 2010 and 1.2 million in 2020. The population of age 75 and older shows the most rapid growth after 2015 when the Baby Boom generation has its impact.²⁰ Affordable housing that is accessible to services will be key for this aging population.

- **Allocation of state housing resources among different low-income groups**

Given the limited amount of state resources available (e.g., the Housing Trust Fund), attention should be given to an overall strategy for apportioning those resources among low income, very low income and extremely low income groups. This allocation, and the choice of specific types of housing to emphasize, must be made on the basis of thoughtful policy choices. AHAB should address and make recommendations concerning these choices.

²⁰ *Forecast of the State Population by Age and Sex: 1990 – 2030 (November 2003)*, Washington State Office of Financial Management.

Attachment A: Statutory List of AHAB Representatives

Members appointed by the Governor include:

- Two representatives of the residential construction industry;
- Two representatives of the home mortgage lending profession;
- One representative of the real estate sales profession;
- One representative of the apartment management and operation industry;
- One representative of the for-profit housing development industry;
- One representative of for-profit rental housing owners;
- One representative of the nonprofit housing development industry;
- One representative of homeless shelter operators;
- One representative of lower-income persons;
- One representative of special needs populations;
- One representative of public housing authorities;
- Two representatives of the Washington Association of Counties;
- Two representatives of the Association of Washington Cities;
- One representative to serve as chair of the Affordable Housing Advisory Board; and
- One representative at large.

Three members serve as ex officio, nonvoting members: the director of CTED or the director's designee; the executive director of the Washington State Housing Finance commission or the executive director's designee; and the secretary of the Department of Social and Health Services or the secretary's designee.

Attachment B: Affordable Housing Advisory Board Strategic Direction Accomplishments 1999 – 2004

Strategic Direction ²¹	Accomplishments
1. Make a ten-year commitment to increase Housing Trust Fund Resources with target appropriate levels of \$75 million in 2001-2003 biennium and \$100 million in 2003-2005.	The Housing Trust Fund was increased from \$70.5 million to \$78 million in 2001-2003, and \$78 million to \$80 million in 2003-2005 despite a \$2.2 billion state budget short fall. While the \$80 million was less than the \$100 million target, this was accomplished in a biennium when the state was experiencing significant financial challenges.
2. Strengthen Housing Finance Commission resources by: (a) changing the HFC's debt limit from \$2 billion to \$3 billion; (b) raising housing's initial share to 45 percent of the federal "private activity" bond cap for tax-exempt bonds.	(a) The HFC's debt limit was increased to \$3 billion. (b) Congress enacted 40 percent increases in the Private Activity Bond Cap and Low-Income Housing Tax Credits in 2000. Housing's share of the state Private Activity Bond Cap was increased from 25 to 32 percent in 2001.
3. Increase local government support of affordable housing development as measured each year compared to the prior year in terms of (a) the amount of "own source" money that local governments spend to reduce rent and home prices; (b) the number of affordable housing units permitted; and (c) the degree of progress made by each jurisdiction toward affordable housing goals.	SHB 2060, enacted in 2002, provides for a document recording fee surcharge by counties to fund capital costs and operations of low-income housing at the state and local levels. To date, it has generated \$19,236,734 statewide. Some counties are waiting to accumulate enough funds to complete a project. Others have already committed funds. For example: Island County is funding multi-family housing that includes emergency and transitional shelter; King County is funding emergency shelters, and permanent and transitional low-income housing; Spokane County is starting a local housing trust fund; and many counties are funding emergency shelters. ²²

²¹ See *The Affordable Housing Outlook: A Strategic Assessment (July 1999)* for the full text of the strategic directions.

²² See Attachment C, *Projects Developed with the Document Recording Fee Surcharge – May 2004*, for the full list of funding amounts and projects by county.

<p>4. Maintain the commitment to invest in farm worker housing over a 10-year period in order to gain the much greater leverage that can be achieved by bonding against a long-term revenue stream rather than financing from a single biennial appropriation. Make a clear designation of this effort to distinguish it from the basic Housing Trust Fund budget so the two efforts are not placed in competition for the same dollars.</p>	<p>In the summer of 1998, Governor Gary Locke, recognizing the critical need for additional safe, decent and affordable housing for agricultural workers, declared farm worker housing to be the number one priority housing need in the state. As a result:</p> <ul style="list-style-type: none"> • The legislature appropriated \$8 million during each of the 1999-01, 2001-03, and 2003-05 Biennia from the State Building Construction Account. These funds have been used to create and support home ownership of 70 units, 710 permanent year-round rental units, 225 temporary seasonal units, three seasonal camps, and rental tents. • CTED provided funds to the Department of Health for emergency housing vouchers for both individual farm workers and farm worker families displaced from their living situations because of health and safety issues. • In 1999, the HFC began encouraging the development of permanent farm worker housing by awarding 20 points for setting aside 100 percent of the units in a tax credit project for qualified farm worker households. More than 800 units of permanent farm worker housing have been financed since this incentive was introduced.
<p>5. Facilitate private sector efforts to enlarge the supply of housing by:</p> <p>(a) Assistance from cities and counties for developers in assembling land;</p> <p>(b) Deferring collection of impact fees to the point of sale or rental;</p> <p>(c) Restrict impact fees to costs that are directly project-related and impose them at a time when they can be paid out of project income;</p>	<p>(a) Although CTED does not specifically track this data, CTED is aware of a number of jurisdictions where land has been assembled for redevelopment, including for affordable housing. Examples include Renton, Mill Creek, Tacoma, and Vancouver.</p> <p>(b) Legislation was introduced during the 2004 session to defer collection of impact fees, but it did not pass.</p> <p>(c) Impact fees are already restricted to impacts that are project-related, because both statutes and case law require</p>

<p>5. (d) Insuring that Growth Management Act (GMA)-mandated densities are achieved by enforcing the requirement that they be used as the basis for local zoning;</p> <p>(e) Achieve concurrent permitting through better integration of SEPA and GMA that eliminates duplicative and overlapping requirements, e.g. concurrent permitting.</p>	<p>the jurisdiction to arrive at a defensible formula for calculating them.</p> <p>(d) CTED's Buildable Lands Program 2002 Report²³ indicates that urban or close to urban densities of four dwelling units (dus)/acre have been achieved in six counties (King, Snohomish, Kitsap, Thurston, Clark and Pierce). According to the report, the average achieved density for four of the counties was as follows; Clark – 6 dus/acre, King 7.3 dus/acre, Pierce 4.02 dus/acre, Thurston 3.59 dus/acre, Kitsap – 3.89 dus/acre, and Snohomish – 8.89 dus/acre. However, we have further to go to achieve urban densities in many jurisdictions. CTED produced a guidance document to assist local governments with addressing urban densities. 117 jurisdictions in Western Washington are required to review and, if needed, revise their comprehensive land use plans and development regulations by December 1 of 2004. The remaining counties and cities fully planning under the GMA²⁴ must review and revise on a staggered schedule from 2005 to 2007.</p> <p>(e) In 1995, ESHB 1724 passed and was signed into law. It required all counties and cities fully planning under the GMA to adopt permit and appeal processes that integrate permitting and environmental review under SEPA by March 31, 1996. Although CTED has been unable to track adoption of these ordinances, it is CTED's impression that virtually all of them have done so. Many used this opportunity to implement a number of permit streamlining</p>
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²³ CTED's Buildable Lands Program 2002 Report can be viewed at <http://www.cted.wa.gov/growth>; see reference page 7 Figure 1A.

²⁴ "Counties and cities fully planning under the GMA" means those counties and cities that are mandated or chose to comply with all of the requirements of the GMA, including adoption of county-wide planning policies, comprehensive land use plans, and development regulations.

	processes. In 2003, SHB 1707 passed with support from CTED to allow cities to categorically exempt infill development from SEPA project review if an environmental impact statement (EIS) had been completed and the city was not meeting planned density targets.
6. Vigorously promote broad dispersion of economic growth statewide.	Although affordable housing is an important factor in economic vitality, AHAB has no direct role in moving this strategy forward. It will be deleted in this updated plan.
7. Protect the existing inventory of low-income housing, with a particular focus on preservation of Section 8 housing.	Over 21,000 affordable homes were preserved through the weatherization and repair programs. Since June 1, 1999, the HTF (including HOME) provided funding to preserve 703 units of HUD/USDA housing, including Section 8 housing.
8. Enhance the stability of mobile home parks as part of the housing stock by: (a) including them in the enactment of a property tax credit on affordable rentals; (b) providing state financing for purchase and operation of mobile home parks by non-profit organizations; (c) providing moving assistance for residents when mobile home park redevelopment occurs.	(a) HB 2098 in 2001 amended RCW 84.36.560 to allow a tax exemption for non-profit entities that own mobile home parks and provide space for the placement of a mobile home for the use of a very low-income household. (b) CTED made a HTF loan for the purchase and/or operation of the Empire View Mobile Home Park in King County in 2000. (c) CTED's Office of Manufactured Housing reimbursed 216 displaced families for their relocation expenses from the Mobile Home Relocation Assistance program between July 1, 1999 and the fund's depletion in 2002. SB 5354 that same year amended RCW 59.21 and established a fee to replenish the fund beginning January 2003. CTED has reimbursed 49 displaced families for their relocation expenses from the Mobile Home Relocation Assistance program since April 2003.

<p>9. Encourage the availability of manufactured housing as a consumer choice by supporting legislation that requires manufactured housing to be permitted in all single-family zoned lots under the same conditions as conventional site-built housing.</p>	<p>SB 6593 will become effective on July 1, 2005. This law prohibits local governments from enacting any local statute or ordinance that has the effect of discriminating against consumers' choices in the placement or use of a manufactured home. It requires that manufactured homes built to federal regulatory standards be subject to the same siting regulations as site-built homes, factory-built homes, or homes built to any other state construction standard.</p>
<p>10. Facilitate the transition of families moving from welfare to work by:</p> <ul style="list-style-type: none"> (a) coordinating state WorkFirst programs with family self-sufficiency programs operated by local housing authorities; (b) exploring new federal rules enabling rental assistance vouchers administered by local housing authorities to be used for principal and interest payments, thereby helping low-income renters to become homeowners. 	<p>Although affordable housing is an important factor in helping move families off welfare, AHAB has no direct role in moving this strategy forward. This strategy will be deleted from the updated plan.</p>

Attachment C: Housing Affordability Index

HOUSING AFFORDABILITY INDEX					
State of Washington and Counties					
First Quarter 2004					
County	Median Price	Mortgage Rate	Starter Monthly Payment	Median Household Income	First Time Housing Affordability Index
ADAMS	\$75,000	5.64%	\$340	\$36,649	157.2
ASOTIN	\$110,400	5.64%	\$500	\$38,152	111.2
BENTON	\$142,600	5.64%	\$646	\$52,759	119
CHELAN	\$136,200	5.64%	\$617	\$41,174	97.3
CLALLAM	\$147,000	5.64%	\$666	\$40,403	88.4
CLARK	\$172,000	5.64%	\$780	\$56,093	104.9
COLUMBIA	\$85,000	5.64%	\$385	\$38,215	144.7
COWLITZ	\$117,000	5.64%	\$530	\$44,768	123.1
DOUGLAS	\$136,200	5.64%	\$617	\$42,860	101.2
FERRY	\$113,300	5.64%	\$514	\$31,759	90.2
FRANKLIN	\$142,600	5.64%	\$646	\$41,057	92.6
GARFIELD	\$110,400	5.64%	\$500	\$36,017	105
GRANT	\$93,700	5.64%	\$425	\$36,900	126.7
GRAYS HARBOR	\$95,000	5.64%	\$431	\$38,220	129.4
ISLAND	\$200,000	5.64%	\$907	\$51,900	83.5
JEFFERSON	\$225,000	5.64%	\$1,020	\$43,876	62.7
KING	\$302,500	5.64%	\$1,371	\$62,747	66.7
KITSAP	\$196,000	5.64%	\$888	\$52,941	86.9
KITTITAS	\$166,000	5.64%	\$752	\$37,469	72.6
KLICKITAT	N/A	5.64%	N/A	\$36,446	N/A
LEWIS	\$114,000	5.64%	\$517	\$39,244	110.8
LINCOLN	N/A	5.64%	N/A	\$36,913	N/A
MASON	\$126,500	5.64%	\$573	\$43,877	111.6
OKANOGAN	\$82,000	5.64%	\$372	\$32,277	126.6
PACIFIC	\$83,000	5.64%	\$376	\$34,316	133
PEND OREILLE	\$113,300	5.64%	\$514	\$35,058	99.6
PIERCE	\$185,000	5.64%	\$839	\$49,752	86.5
SAN JUAN	\$301,800	5.64%	\$1,368	\$48,189	51.4
SKAGIT	\$178,000	5.64%	\$807	\$48,940	88.5
SKAMANIA	N/A	5.64%	N/A	\$45,177	N/A
SNOHOMISH	\$235,000	5.64%	\$1,065	\$58,921	80.7
SPOKANE	\$118,900	5.64%	\$539	\$42,761	115.7
STEVENS	\$113,300	5.64%	\$514	\$38,531	109.4
THURSTON	\$170,000	5.64%	\$771	\$52,515	99.4
WAHKIAKUM	\$170,000	5.64%	\$771	\$44,106	83.5

County	Median Price	Mortgage Rate	Starter Monthly Payment	Median Household Income	First Time Housing Affordability Index
WALLA WALLA	\$136,400	5.64%	\$618	\$40,699	96
WHATCOM	\$194,600	5.64%	\$882	\$43,885	72.6
WHITMAN	\$150,000	5.64%	\$680	\$31,731	68.1
YAKIMA	\$119,300	5.64%	\$541	\$38,978	105.1
Statewide	\$210,600	5.64%	\$955	\$52,405	80.1

Housing Affordability Index measures the ability of a middle income family to carry the payments on a median price home. When the index is 100 there is a balance between ability to pay and the cost. Higher indexes indicate housing is more affordable.

First-time buyer index assumes the purchaser's income is 70% of the median household Home purchased by first-time buyers is 85% of area's median price.

All loans are assumed to be 30 year loans.

All buyer index assumes 20% downpayment. First-time buyer index assumes 10% down.

It is assumed 25% of income can be used for principal and interest payments.

Source: Washington State University Center for Real Estate Research

Attachment D: Projects Developed with the Document Recording Fee Surcharge – May 2004

County	Surcharge Amount Collected	Surcharge Amount Committed	Types of Projects and/or Number of Projects and/or Units	Interlocal Agreement	Status/comments
Adams	\$32,391	None	None	None	Funds are accruing. There have been discussions over the past three months with Adams County Network and Adams County Community Health.
Asotin	\$57,811	None	None	None	The Asotin County Housing Authority requested assistance on next steps. CTED referred them to Walla Walla County for assistance. They will also be contacting the auditor's office
Benton	No response from auditor	None	None	None	The commissioner's office is working with the City of Richland on a pilot project. No other details yet.
Chelan	\$219,011	\$77,474	Habitat for Humanity – 3 building lots, maintenance for low-income apartments.	In process	Will have meeting to discuss 2060 in May. Will have more information after that. Will send CTED copies of annual reports and interlocals after meeting.
Clallam	\$100,000	\$55,000	<ul style="list-style-type: none"> • Roof repair on emergency shelter • House rental to house 4-12 individuals with mental illness • Operating & Maintenance assistance to shelters • Window replacement on 4 units at shelter • Technical assistance and coordination for acquisition, rehab and new construction • Rental of two units for emergency shelter for families w/children 	Yes	Housing Authority administers the funds through an RFP process.
Clark	\$1,200,000	\$500,000 \$645,000 \$250,000 annually	Capital funds for transitional and permanent housing Operating funds for shelters and operating support for transitional and permanent housing Creation of local housing bond, \$2 million to purchase property for low-income housing. So far, 2 properties purchased.	Yes	In addition to using funds for capital and operating purposes, approximately 1/3 of the annual revenue will be used to purchase a 10-year low-income housing bond. Bond proceeds will be deposited in an interest bearing account for the purpose of land or housing acquisition. This will assist Clark County to meet housing goals in the Growth Management Act.
Columbia	\$11,000	None	None	No	Have established an Affordable Housing Fund. Accruing funds through collection. There isn't anything in the county that falls under the guidelines for use of the money and they don't feel they have accumulated enough to do much.
Cowlitz	\$259,450	None	None	In process	Interlocal agreement is still being reviewed by each jurisdiction. There is some pressure with Continuum of Care plans, Consolidated Plans and Housing Trust Fund (HTF) applications to get this moving. Still have a per capita/assessed valuation distribution formula instead of a competitive pool.

Ferry	\$18,159	None	None	In process	Housing Authority hasn't acted on developing interlocal agreement; waiting for funds to accumulate to do something bigger. Hospital District may use the funds for an assisted living project.
Franklin	\$114,707	None	None	In process	Housing Authority drafted a letter to county to look into interlocal agreement. Haven't received a response. Housing Authority intends to contact them again.
Garfield	\$5,563	None	None	No	Waiting for enough funds to accumulate to contribute to a project. If enough in fall, will look into doing interlocal agreement.
Grant	\$180,963	\$180,963	Project for chronically mentally ill - 10 units. Project for victims of domestic violence - 3 units. Five Transitional Housing projects - approximately 50 units.	Yes	Administering agencies for the funds include: the Housing Authority of Grant County, New Hope Domestic Violence and Sexual Assault Services, North Columbia Community Action Council. Propose using all of Grant County funds for operating support of HTF funded housing units.
Grays Harbor	\$217,000	None	None	In process	Coastal Community Action Programs will administer the funds through an RFP process in late summer/early fall, when enough funds have accumulated.
Island	\$326,609	\$140,000	Project for multi-family housing, including 8 units for emergency shelter and 8 units for transitional shelter.	Yes	Formed an Island County Affordable Housing Advisory Board to represent the cities and towns in Island County. The ICHAB will review all applications. 25 percent of funds will be used for operating costs of emergency shelters or units built with HTF and 75 percent will be used for acquisition, construction, and rehabilitation of housing for very low income households.
Jefferson	\$111,783	\$8,291	None	Yes	Olympic Community Actions Programs has not identified specific projects yet. Working with landowners to see interest in permanent rental housing for families, including supportive services for the disabled. Also defining homeownership program (Community Land Trust).
King	\$6,889,391	\$3,633,615 \$3,000,000capital portion* \$633,615 operating portion**	Affordable new rental – 216 units*** Preservation – 94 units	Yes	*Appropriated as part of the 2003 budget and allocated to capital projects ** \$633,615 appropriated as part of the 2003 budget and allocation decisions anticipated by the end of May 2004. ***Includes multifamily projects and single family group homes serving special needs individuals (Note: 2060 projects received multiple fund sources)

Kitsap	\$825,200	<p>\$665,868</p> <p>\$222,900 operating portion</p> <p>\$442,968 capital portion</p>	<p>Operating & Maintenance:</p> <ul style="list-style-type: none"> • Emergency shelter for victims of domestic violence - operational costs, staffing of PT facilities manager & purchase of furniture, supplies & equip. • A transitional housing program for low-income women recovering from alcohol and drug addiction - rehab of group house and on-going repairs. • A permanent housing apartment complex serving low-income families - health & safety repairs and maintenance. • A transitional housing apartment complex serving families overcoming recent crisis - health & safety repairs and maintenance and a capital replacement reserve study. • An emergency shelter serving homeless women and children - to upgrade electrical wiring in the shelter buildings. • A transitional housing program for pregnant/parenting women who are participating in an outpatient chemical dependency treatment program - operations & maintenance expenses and salary for a maintenance person. • A permanent housing apartment complex serving low-income and homeless individuals and families - for operating and maintenance expenses. • A permanent housing program serving low-income families - to provide loans to low-income first time homebuyers. • A transitional housing Apt Complex serving low-income, homeless and at-risk families and individuals - for operating and maintenance expenses. <p>Capital:</p> <ul style="list-style-type: none"> • A permanent housing apartment complex serving low-income families -contribute to the acquisition and preservation of 48 units of housing. • A permanent housing new low-income rental single-family residence - to cover the developer fee. • Transitional housing for chronic & low-income homeless men - for pre-development professional fees and construction monitoring. • Transitional housing apartment complex serving low-income, homeless, and at risk families and individuals – partial rehab funding. • A permanent housing apartment complex serving low-income and homeless individuals and families - for funding to complete development budget for acquisition and renovation. • A transitional housing duplex serving homeless families and victims of domestic violence - for rehabilitation of one apartment of the duplex. • A permanent housing Facility serving developmentally disabled and frail elderly individuals - for partial funding of acquisition costs. 	In Process	Kitsap Regional Coordinating Council appointed an ad hoc committee to produce guidelines for the use of 2060 funds. The committee worked closely with the Kitsap Continuum of Care Coalition in making funding recommendations. The projects listed are currently only recommendations; a public hearing will be held in May, and final funding decisions will be made at the next policy board meeting.
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Kittitas	\$129,316	None	None	No	Kittitas County Housing Authority is not interested in funds, but wants to explore how funds could be used. Housing Authority wants the community to be involved in the decision-making. They are attempting to meet with the county.
Klickitat	\$64,433	None	None	No	Allowing funds to accumulate until there are enough to fund projects. May possibly be looking at projects in 2004.
Lewis	\$214,508	None	None	No - in process	Have sent out letters to local governments with proposal for comments and follow up will be local agreements.
Lincoln	\$20,000	None	None	No	County needs more information on what types of activities are eligible. Lincoln County has very few low income housing providers. Referred to Grant County Housing Authority to obtain ideas and get guidance. They hope to have a plan by next quarter.
Mason	\$232,759	\$35,000	\$25,000 to Mason County Shelter for operations and \$10,000 to South Puget Intertribal Housing Authority for down payment on 2 single family homes for Skokomish Tribe.	Yes	The county worked with the Mason County Housing Coalition and the City of Shelton to review the proposals. Turning Point is a Domestic Violence organization that is purchasing a shelter. Mason County plans to award them substantial funds to purchase. Contact noted that there are not many housing providers in Mason county.
Okanogan	\$107,872	None	None	No	Five agencies in the county are developing a Housing Coalition to streamline and improve the continuum of housing in the county. They have been facilitated by Impact Capital. They are working together to create a plan.
Pacific	\$80,615	None	None	No	Interlocal agreements have not been signed yet but money is accumulating. Two high priority situations have been identified. Pacific Trailer Park and also old historic building (Lumber Exchange) in South Bend that is in dire need of rehabilitation. Residents were forced to move because of hazardous conditions.
Pend Oreille	\$21,000	\$10,000/yr	2 units of Transitional Housing 2 emergency shelter single family houses with capacity for 16	Yes	Commissioners capped amount to be distributed at \$10,000 per year. Family Crisis Network is the beneficiary. They are going to try to get the amount raised next year if the county collects more.
Pierce	\$2,366,920	\$1,600,000	Operating and Maintenance: 27 units low income rentals, 9 units emergency shelter. Capital: 101 new units of Permanent Rental Housing funded	Yes	Pierce County has a steering committee that has developed guiding principles.
San Juan	\$71,131	None	N/A	No	Citizen Committee to meet in late April to formulate plan for spending the proceeds of the surcharge.

Skagit	\$402,493	\$301,723	3 Capital Projects: Rehabilitation of historic Wilson Hotel Habitat for Humanity-infrastructure Transitional Residence for Homeless Youth Operating Assistance for 3 projects: 2 youth shelters and an emergency shelter	Yes	Funds for 2004 are awarded and agreements are being drafted.
Skamania	Unknown	None	None	No	No interlocal agreements.
Snohomish	\$1,569,159	\$819,613	30 units (8 emergency and 22 transitional housing units)	Yes	Interlocal Agreements have been executed by all of the cities and towns and the interlocals are en route to the County Executive. Awards are conditioned upon final execution of the interlocal agreements.
Spokane	\$1,500,000	\$1,500,000	\$750,000 set aside to start a local housing trust fund. Remaining amount allocated to 13 local projects*	Yes	Community Development Department has lead. Half of the money will be set aside to establish a local trust fund. * The remaining amount was allocated in May 2004 to 13 projects for a variety of activities including repair and rehabilitation, purchase of sites for homeownership, operating and maintenance for existing projects.
Stevens	\$133,065	\$133,064.9	1-shelter 2-transitional 18 units	Yes	The fund is benefiting the community.
Thurston	\$750,000	\$750,000	8 units acquired for at risk/homeless families; 15 rehabed-9 for youth; 126 tenant based rental assistance-1/3 each for homeless individuals and families, mental health, and at risk/homeless youth.	Yes	Thurston County has received approx. \$750,000. Signed interlocal agreement almost a year and a half ago. It was agreed that these funds would be used towards HOME 25 percent match requirements. \$575,000 has been used for property acquisition and the remainder for a rental assistance program complimented with HOME entitlement allocation.
Wahkiakum	\$13,379	None	None	In process	Working with Cowlitz County—interlocal agreements are being prepared
Walla Walla	\$130,000	None	None	No	
Whatcom	\$583,190	None	None	Yes	An Interlocal Agreement between Whatcom County and the cities of Whatcom County is now in place. They are currently working to finalize the application and selection process and hope to have this completed and start accepting applications in the near future.
Whitman	\$77,856	\$36,000.00	40 Client households served on a case-by-case basis. An estimated 96-100 persons.	Yes	Discussions are also underway with Whitman County officials related to the use of Local 2060 funds for a transitional housing project for very low-income households, and for a subcontract with Alternatives to Violence of the Palouse. The flexibility of this funding has been extremely helpful in the rural areas of Whitman County where homeless shelters are not an option.
Yakima	\$200,000	None	None	No	Yakima County does not want to administer the fund since there are no funds for administration. They are in the process of requesting the City of Yakima to administer the program. These dollars are extremely important to their distressed county and Housing Authority.
TOTAL:	\$19,236,734				